

1 IN THE COUNTY OF WASHINGTON

2
3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY
4 VIRGINIA GAS AND OIL BOARD
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8 MARCH 16, 2004
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12 APPEARANCES:

13 MASON BRENT - OIL & GAS REPRESENTATIVE
14 DENNIS GARBIS - PUBLIC MEMBER
15 BILL HARRIS - PUBLIC MEMBER
16 DONALD RATLIFF - COAL REPRESENTATIVE
17 JAMES MCINTRYE - PUBLIC MEMBER
18 BENNY WAMPLER - DIRECTOR OF THE DMME & CHAIRMAN
19

20 SHARON PIGEON, COUNSEL FOR THE BOARD WITH THE ATTORNEY
21 GENERAL'S OFFICE
22 BOB WILSON, DIRECTOR OF THE DIVISION OF GAS & OIL AND
23 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD
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1 BENNY WAMPLER: I'll call the meeting to order.

2 Good morning. My name is Benny Wampler. I'm Deputy Director

3 for the Department of Mines, Minerals and Energy, and

4 Chairman of the Gas and Oil Board. I'll ask the Board

5 members to introduce themselves, starting with Mr. Brent.

6 MASON BRENT: My name is Mason Brent. I'm from

7 Richmond, and I represent the Gas and Oil Industry.

8 DENNIS GARBIS: My name is Dennis Garbis. I'm a

9 public member from Fairfax County, Northern Virginia.

10 BILL HARRIS: I'm Bill Harris, a public member from

11 Wise County, Big Stone Gap.

12 SHARON PIGEON: I'm Sharon Pigeon. I'm with the

13 office of the Attorney General.

14 DONALD RATLIFF: I'm Donald Ratliff. I represent

15 the coal industry and I'm from Wise County.

16 JIM MCINTYRE: Jim McIntyre, public representative

17 from Wise.

18 BOB WILSON: I'm Bob Wilson. I'm the Director of

19 the Division of Gas and Oil, and Principal Executive to the

20 staff of the Board.

21 BENNY WAMPLER: Thank you. The first item on

22 today's agenda is a petition from CNX Gas Company, LLC, for

23 creation and pooling of conventional gas unit TC-13, docket

24

1 number VGOB-04-0217-1258. This is continued from February.
2 The item, all of it was already heard, but continued for
3 notice of correction. So---.

4 MARK SWARTZ: Correct. And we have...Mark Swartz
5 and Les Arrington here this morning. We have filed with you
6 all the cards and the proof of mailing. That was the only
7 outstanding issue. I would then request that you add that to
8 the record and consider the petition.

9 BENNY WAMPLER: Any questions from members of the
10 Board?

11 (No audible response.)

12 BENNY WAMPLER: Do you have anything further?

13 MARK SWARTZ: No, sir.

14 BENNY WAMPLER: Is there a motion to approve?

15 DON HALL: Motion.

16 BENNY WAMPLER: Second?

17 JIM MCINTYRE: Second.

18 BENNY WAMPLER: Motion and second. Any further
19 discussion?

20 (No audible response.)

21 BENNY WAMPLER: All in favor, signify by saying
22 yes.

23 (All members signify by saying yes.)

24

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1 BENNY WAMPLER: Opposed, say no.

2 (No audible response.)

3 BENNY WAMPLER: You have approval.

4 The second item on the agenda is a petition from
5 CNX Gas Company, LLC, for pooling of a coalbed methane unit
6 AZ-98, docket number VGOB-04-0316-1261. We'd ask the parties
7 that wish to address the Board in this matter to come forward
8 at this time.

9 MARK SWARTZ: Mark Swartz and Les Arrington.

10 BENNY WAMPLER: The record will show there are no
11 others. You may proceed. Les, you probably need to get
12 sworn in.

13 (WITNESS IS DULY SWORN.)

14

15 LESLIE K. ARRINGTON

16 having been duly sworn, was examined and testified as
17 follows:

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SWARTZ:

20 Q. Les, this is a pooling application.

21 A. Yes.

22 Q. It's a Nora Unit?

23 A. Yes, it is.

24

--

1 Q. 58.79 acres?

2 A. Yes.

3 Q. And you're proposing one frac well that's in
4 the drilling window of the unit?

5 A. Yes, it is.

6 Q. Who's the applicant?

7 A. CNX Gas Company, LLC.

8 Q. Who do you work for?

9 A. CNX Gas Company.

10 Q. What do you do for them?

11 A. Manager of environmental and permitting.

12 Q. Okay. Did you either prepare yourself, or
13 cause to be prepared under your direction, the notice of
14 hearing in this...in regard to this application and the
15 application and the related exhibits?

16 A. Yes, I did.

17 Q. And, in fact, you signed the notice and
18 the...and the application, did you not?

19 A. Yes, I did.

20 Q. Is CNX Gas Company, LLC a Virginia General
21 Partnership?

22 A. Yes, it is.

23 Q. Is it a wholly owned indirect subsidiary of
24

1 Consol Energy, Inc.?

2 A. Yes, it is.

3 Q. Is CNX authorized to do business in the
4 Commonwealth?

5 A. Yes.

6 Q. Who is it that the applicant is requesting
7 be appointed as designated operator if an order is entered?

8 A. CNX Gas.

9 Q. Is CNX Gas also registered with the
10 Department of Mines, Minerals and Energy, and does it have a
11 blanket bond on file?

12 A. Yes, it does.

13 Q. With regard to leasing efforts concerning
14 this...this particular unit and acquisition efforts and other
15 units, generally, what are the lease terms that you offer to
16 people to try and obtain leases on a voluntary basis for
17 coalbed methane?

18 A. For coalbed methane, it's a dollar per acre
19 per year with a five year paid up term and a one-eighth
20 production royalty.

21 Q. And in this particular instance you've been
22 able to lease or acquire, frankly, over 99%?

23 A. That's correct.

24

--

1 Q. If the Board were to enter an order pooling
2 this unit, would you recommend those same lease terms that
3 you've just described to the Board to be inserted in any
4 order it might enter with regard to folks who are deemed to
5 be leased?

6 A. Yes, we would.

7 Q. What did you do to advise the respondents in
8 this case that there was going to be a hearing today?

9 A. Yes, on AZ-98, we mailed by certified mail,
10 return receipt requested, on February the 13th of 2004. We
11 published in the Bluefield Daily Telegraph on February the
12 19th of 2004.

13 Q. When you published, what did you publish?

14 A. We published the notice of hearing and an
15 attached location map.

16 Q. Okay. And have you provided those copies of
17 that information to Mr. Wilson's office?

18 A. Yes, we have.

19 Q. Do you wish to add any people as respondents
20 today or dismiss anybody with regard to AZ-98?

21 A. No, we do not.

22 Q. Would you tell the Board what interest CNX
23 has acquired in that unit and what interest is outstanding
24

1 that you're seeking to pool today?

2 A. Yes, we have 100% of the coal owner's claim
3 to coalbed methane leased, 99.9841% of the oil and gas
4 owner's claim. We're seeking to pool 0.0159% of the oil and
5 gas owner's claim to coalbed methane.

6 Q. Okay. And there's a permit issued with
7 regard to the well?

8 A. Yes, it is, 5990.

9 Q. And is already drilled?

10 A. Yes, it is.

11 Q. And what's the depth?

12 A. 2,342.93 feet.

13 Q. And the costs?

14 A. \$234,952.59.

15 Q. Are some of those costs actual and some of
16 them estimated?

17 A. The majority of what we're showing there is
18 estimated.

19 Q. Okay. And who prepared the estimate?

20 A. I did.

21 Q. Is...I think there's an Exhibit E with
22 regard to this unit, is that correct?

23 A. Yes.

24

--

1 Q. And that would require escrow because there
2 are some conflicting claims here?

3 A. Yes, on Tract 2A.

4 Q. Okay. And that would be the only tract
5 escrowed for conflicting claim reasons?

6 A. Correct.

7 Q. And then there's also an Exhibit EE, is that
8 correct?

9 A. That's correct.

10 Q. And in Exhibit EE, have you listed the folks
11 who have entered into royalty split agreements who ought to
12 be...who you ought to be as operator, allowed to pay directly
13 rather than escrowing their funds in accordance with their
14 split agreements?

15 A. That's correct.

16 Q. And you're asking the Board not to require
17 escrow of funds pertaining to the owners identified in
18 Exhibit EE?

19 A. That's correct, we are.

20 Q. Okay, is it your opinion that the plan of
21 development that's disclosed by the application and related
22 exhibits is a reasonable plan to develop coalbed methane
23 within and under unit AZ-98?

24

--

1 A. Yes, it is.

2 Q. And if you combine the leasing and
3 acquisition efforts that CNX has been engaged in with the
4 pooling order, will those two events protect the correlative
5 rights of all of the owners and/or claimants to coalbed
6 methane within this unit?

7 A. Yes, it will.

8 MARK SWARTZ: I believe that's all I have, Mr.
9 Chairman.

10 BENNY WAMPLER: Questions from members of the
11 Board?

12 BILL HARRIS: Mr. Chairman.

13 BENNY WAMPLER: Mr. Harris.

14 BILL HARRIS: Let me ask him a question about
15 Exhibit C, the estimate. I know for years we've gotten these
16 estimates. But in the cases where the...where the well has
17 already been drilled, is there a way to get some actual costs
18 so we can have some feeling for what it actually costs to put
19 these in.

20 LESLIE K. ARRINGTON: Yeah. The problem up here on
21 this well, it is drilled. We haven't gotten pipeline out to
22 it. So, we're still in the process of completing this well.
23 There's still a lot of construction activity going up there.

24

--

1 BILL HARRIS: Okay.

2 LESLIE K. ARRINGTON: Is it drilled? The well is

3 drilled. Completed, a long ways away from it.

4 BILL HARRIS: Okay, okay. Thank you.

5 BENNY WAMPLER: Other questions from members of the

6 Board?

7 (No audible response.)

8 BENNY WAMPLER: Do you have anything further?

9 MARK SWARTZ: No, I do not.

10 BENNY WAMPLER: Is there a motion?

11 JIM MCINTYRE: Motion to approve.

12 BENNY WAMPLER: Motion to approve.

13 DONALD RATLIFF: Second.

14 BENNY WAMPLER: Second. Any further discussion?

15 (No audible response.)

16 BENNY WAMPLER: All in favor, signify by saying

17 yes.

18 (All members signify by saying yes.)

19 BENNY WAMPLER: Opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: You have approval. The next item

22 on the agenda is a petition from CNX Gas Company, LLC, for

23 pooling of a coalbed methane unit K-45, docket number VGOB-

24

1 04-0316-1262. We'd ask the parties that wish to address the
2 Board in this matter to come forward at this time.

3 MARK SWARTZ: Mark Swartz and Les Arrington.

4 BENNY WAMPLER: The record will show there are no
5 others. You may proceed.

6 MARK SWARTZ: Mr. Chairman, we have two Oakwood I
7 frac units on the docket today, the one that you just called
8 and item fifteen, which is FF-30.

9 BENNY WAMPLER: All right.

10 MARK SWARTZ: And Anita is passing out the
11 supplemental and revised exhibits with regard to both of
12 those units. If you would consider combining them, I would
13 appreciate it.

14 BENNY WAMPLER: All right. We'll go ahead and call
15 item fifteen on the Board's agenda. It's a petition from CNX
16 Gas Company, LLC, for repooling of coalbed methane unit FF-
17 30. This is docket number VGOB-02-0917-1074-01. We'd ask
18 the parties that wish to address the Board in this matter to
19 come forward also.

20 MARK SWARTZ: Mark Swartz and Les Arrington.

21 BENNY WAMPLER: The record will show there are no
22 others. You may proceed.

23

24

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1 LESLIE K. ARRINGTON

2 QUESTIONS BY MR. SWARTZ:

3 Q. Mr. Arrington, I'm going to remind you that
4 you're still oath, okay?

5 A. Yes...yes.

6 MARK SWARTZ: Mr. Chairman, I would ask that the
7 testimony of Mr. Arrington with regard to CNX as the
8 applicant and its status in the Commonwealth and with regard
9 to leasing efforts and lease terms be incorporated into these
10 records.

11 BENNY WAMPLER: That will be incorporated.

12 Q. Les, are these two units both Oakwood I
13 units?

14 A. Yes.

15 Q. And one of them, specifically K-45, is an 80
16 acre unit?

17 A. Yes, it is.

18 Q. And unit FF-30 is actually 89.46 acres
19 because it's on the perimeter of the Oakwood Field and it's
20 kind of a makeup unit, correct?

21 A. That's correct, it is.

22 Q. Okay. The proposal with...with regard to K-
23 45, and let me direct your attention to the...to the plat map

24

--

1 concerning to K-45. There is a well inside the drilling
2 window and then there is another well outside?

3 A. That's correct.

4 Q. Are you proposing to produce from both of
5 those wells?

6 A. We will be producing from both of them due
7 to a mine...a mine plan within that area. However, at this
8 time, I'm only requesting the cost for one well.

9 Q. Okay. And this is...the second here would
10 be under the Oakwood I rules exception, which would allow Mr.
11 Wilson's office to grant permits for increased density wells
12 consistent with a mine plan that's filed?

13 A. That's correct.

14 Q. And I take it you filed your plan and that's
15 how---?

16 A. Yes, we did.

17 Q. ---you got this second well in the unit?

18 A. We did.

19 Q. Okay. Turning to FF-30, that is only one
20 well and that well is proposed to be in the window?

21 A. That's correct, it is.

22 Q. Okay. Let's...let's now sort of work
23 through K-45. I will alert the Board that there are some
24

1 revised exhibits that you got today. So, when we're working
2 through particularly the parties and so forth and the
3 interest, you need...to the extent there is a revised
4 exhibit, that's what we're going to be focusing on. Les,
5 what did you do to tell people in K-45, respondents in K-45
6 and FF-30, that there was...there was going to be a hearing
7 today?

8 A. K-45, we mailed by certified mail return
9 receipt requested February the 13th, 2004. We published in
10 the Bluefield Daily Telegraph on February the 24th, 2004.
11 FF-30, again, was mailed on February the 13th, 2004; and
12 published on February the 20th, 2004.

13 Q. Okay. With regard to K-45, do you want to
14 dismiss any folks today?

15 A. Yes, we do.

16 Q. Okay, there is an Exhibit B-2 which you've
17 handed out to the Board today?

18 A. That's correct, there is.

19 Q. And that presumably...does that list the
20 folks that you want to dismiss?

21 A. Yes.

22 Q. And what's the reason that you're asking
23 that they be dismissed?

24

--

1 A. This...this shows Buchanan County. This is
2 a part of the properties that was donated by Norfolk &
3 Southern to the County that we already had a lease on.
4 Q. Okay.
5 A. So, in turn, we had them listed originally
6 as being pooled. We do have a lease on these interests.
7 Q. Okay. So, they're lessors, or Buchanan
8 County is a lessor of yours with regard to these interests in
9 these...in these two tracts.
10 A. That's correct.
11 Q. Okay. And is there...is there anyone else
12 you want to dismiss or is Buchanan---?
13 A. Buchanan County.
14 Q. Okay, do you want to add anybody today to
15 the pooling---?
16 A. No.
17 Q. ---with regard to K-45?
18 A. No.
19 Q. Okay. You filed a Exhibit B-3 that's
20 revised as of March the 13th '04 today as well. My question
21 for you would be is the only change to the Exhibit B-3 that
22 was filed today compared to what was filed when you
23 originally filed your application the deletion of Buchanan
24

1 County?

2 A. That's correct.

3 Q. Okay. Then you've got a revised Exhibit A,
4 page two, and I would ask you to utilize that to tell the
5 Board what is you've leased or acquired in this unit K-45 and
6 what it is you're seeking to pool?

7 A. Yes, the coal, oil and gas claims to coalbed
8 methane, we've leased 90.03123%. We're seeking to pool
9 9.96877% of the coal, oil and gas claims to coalbed methane.

10 Q. Okay. And is there a well...well, there are
11 two wells in this unit, correct?

12 A. It is.

13 Q. And your cost estimate with regard to this
14 until is only for one well?

15 A. It is.

16 Q. And what is that estimate?

17 A. I'm sorry.

18 Q. For K-45.

19 A. Yes, \$225,515.25.

20 Q. And what's the depth of that well?

21 A. Estimated 2,050 feet.

22 Q. Is there a permit number?

23 A. K-45 is 6080.

24

1 Q. And that's the permit number of the well
2 that you're charging to the unit?

3 A. Yes.

4 Q. Okay. When I look at K-45, I don't see any
5 need for escrow, is that correct?

6 A. That's correct, there is not.

7 Q. And I don't see any split agreements, so
8 there's no need to address that?

9 A. That's...that's correct.

10 Q. Okay. With regard now to FF-30, and I would
11 advise the Board that some of these exhibits are revised for
12 FF-30, would you start, I guess, at the back of these revised
13 exhibits and summarize for the Board what it is...what it is
14 you have acquired in terms of interest and what it is you're
15 seeking to pool?

16 A. FF-30, we've acquired 100% of the coal
17 owner's claim, 94.0309% of the oil and gas owner's claim.
18 We're seeking to pool 5.9691% of the oil and gas owner's
19 claim to coalbed methane.

20 Q. Okay. Do you want to dismiss any folks
21 from...as respondents with regard to FF-30?

22 A. Yes, we do.

23 Q. And have you identified those in Exhibit B-2
24

1 that you filed today?

2 A. Yes, we have.

3 Q. Who are you seeking to dismiss and what's

4 the reason?

5 A. Yes, it's a Barbara Lester and she's leased.

6 Q. Okay. And is the Exhibit B-3 that's revised

7 and that has been submitted to the Board today and indicates

8 revised 3/15/04, is the only change to that compared to the

9 B-3 that was filed with the application, the deletion of

10 Barbara Ann Vance Lester?

11 A. Correct.

12 Q. Okay. Is...how many...how many wells are

13 proposed for this unit?

14 A. One.

15 Q. Okay. Has it got a permit issued?

16 A. Yes, it is.

17 Q. What's the---

18 A. 5275.

19 Q. Is it...what's the depth?

20 A. 2,202 feet...2,202.5 feet.

21 Q. Okay. And what's the cost estimate with

22 regard to that well?

23 A. \$230,789.28.

24

1 Q. Now, this one, there needs to be an escrow
2 for conflicts with regard to FF-30, is that correct?

3 A. Yes.

4 Q. And the tracts that have conflicts that
5 require escrow are 1-E as in Edward, 1-F as in Frank, 1-G as
6 in George and 1-H as in Harry, is that correct?

7 A. That's correct.

8 Q. And also some of the royalty owners here
9 and/or claimants have entered into royalty split agreements,
10 is that correct?

11 A. That's correct.

12 Q. And have you provided the Board with an
13 Exhibit EE that names the people who have royalty split
14 agreements and the tracts that they're in?

15 A. Yes, it does.

16 Q. And are you asking the Board to allow you,
17 under the terms of any order that might be issued, to pay
18 those folks who have split agreements directly in accordance
19 with the terms of their agreements rather than escrow their
20 funds?

21 A. That's correct, we are.

22 BENNY WAMPLER: While you're dealing with that,
23 your B-3...Exhibit B-3 compared to your Exhibit E that you

24

--

1 had listing conflicting claimants. You still...I didn't see
2 Coal Mountain Trust picked up on B-3.

3 LESLIE K. ARRINGTON: On B-3, Coal Mountain would
4 be one of our lessors.

5 MARK SWARTZ: Right.

6 LESLIE K. ARRINGTON: They may show up on
7 Exhibit---.

8 MARK SWARTZ: Exhibit E.

9 LESLIE K. ARRINGTON: ---EE or E...or E, I'm sorry.

10 BENNY WAMPLER: E is conflicting claimants?

11 LESLIE K. ARRINGTON: Yes.

12 MARK SWARTZ: Right.

13 BENNY WAMPLER: Okay. All right.

14 Q. Right. We...we...Mr. Arrington, do we
15 regularly escrow funds that might be subject to a lease if
16 there's a conflict? In other words, if we've got the coal
17 leased, but not the oil and gas.

18 A. Right, we do.

19 Q. Would that be a regular practice that we
20 would list that as a tract in conflict when we're in front of
21 the Board?

22 A. Coal Mountain and an unleased party.

23 Q. Correct.

24

--

1 A. Yes, that's correct.

2 Q. Or anybody else?

3 A. Anybody else, that's right.

4 Q. If we've got half of the equation leased and

5 we're seeking to pool the other half, we would be escrowing

6 ...proposing to escrow those funds?

7 A. Yes.

8 BENNY WAMPLER: The reason I was asking is because

9 you had Barbara Lester in there and you said you now leased

10 her. I was just questioning whether it would come off

11 entirely then.

12 LESLIE K. ARRINGTON: No, at times they're still in

13 there---.

14 BENNY WAMPLER: Okay.

15 LESLIE K. ARRINGTON: ---because they haven't

16 reached an agreement.

17 BENNY WAMPLER: Okay.

18 MARK SWARTZ: Let's stay with that. What we have

19 tried to do over the years is if we're in front of you...if

20 we had two people that we had leases from and we had leased,

21 you know, the coalbed methane claims for coal and then the

22 coalbed methane claims for oil and gas, but we weren't

23 pooling either one of them. But if we're in front of you on

24

1 kind of let's make one trip, we would tried to get an order
2 from you to allow us to escrow those funds even though they
3 were subject to leases because we'd rather have the funds
4 escrowed. So, we...we, you know, habitually have done that.
5 You know, that's when we've got both of them leased and
6 obviously when we've only got one party leased, we all...you
7 know, we have to do it.

8 BENNY WAMPLER: Right.

9 MARK SWARTZ: But that...that has been our
10 practice.

11 BENNY WAMPLER: Okay.

12 Q. Mr. Arrington, with regard to these two
13 units, now that we're talking about, the FF-30 and the K-45
14 units, I would ask you whether or not it's your opinion that
15 the plan to develop coalbed methane in these two units as
16 disclosed by the applications and the related exhibits is in
17 your judgment a reasonable plan to do that?

18 A. Yes, it is.

19 Q. Okay. And if you...is it also your opinion
20 that if you take the leasing and other voluntary agreements
21 that you, CNX, has entered into and combine that with a
22 pooling order for the outstanding interest that you just
23 described, that those two events, the pooling order and the
24

1 leasing and acquisition efforts, would protect the claims and
2 interests of all owners and claimants to the coalbed methane?

3 A. Yes, it will.

4 MARK SWARTZ: That's all I have, Mr. Chairman.

5 BENNY WAMPLER: Questions from members of the
6 Board?

7 MASON BRENT: Just a couple of questions, Mr.
8 Chairman.

9 BENNY WAMPLER: Mr. Brent.

10 MASON BRENT: First, on that most recent testimony
11 you just gave, I just want to follow up with a question. You
12 said even when both parties are leased, you would want to
13 escrow. That's because of the potential conflict between
14 those two parties?

15 MARK SWARTZ: Right.

16 LESLIE K. ARRINGTON: Yeah.

17 MARK SWARTZ: Our leases in general allow us to
18 either escrow or suspend payments where there is a conflict.
19 So we have a contractual right to do that, but we can't
20 escrow money without the Board order.

21 MASON BRENT: Even though you've got leases with
22 both parties, there could be a conflict between the two of
23 them---?

24

--

1 MARK SWARTZ: Right. Exactly.

2 MASON BRENT: ---that you want to stay out of?

3 MARK SWARTZ: Right.

4 MASON BRENT: And back on K-45A, when did you plan

5 on drilling that well?

6 LESLIE K. ARRINGTON: Yes.

7 MARK SWARTZ: When do you plan?

8 LESLIE K. ARRINGTON: When? It's under

9 construction.

10 MASON BRENT: Okay.

11 LESLIE K. ARRINGTON: But when, it will be in the

12 next couple of months.

13 MASON BRENT: And when are you going...when do you

14 think you'll be filing an application for a permit on B?

15 LESLIE K. ARRINGTON: It's filed.

16 MASON BRENT: Is it?

17 LESLIE K. ARRINGTON: I had to make some revisions

18 or it would have been...I had some problems in it. So, we

19 refiled that application.

20 MASON BRENT: So, you would expect to start

21 construction on that pretty soon?

22 LESLIE K. ARRINGTON: Yes, we do.

23 BENNY WAMPLER: Other questions from members of the

24

1 Board?

2 BILL HARRIS: Mr. Chairman.

3 BENNY WAMPLER: Mr. Harris.

4 BILL HARRIS: I hate to bring this up again, but
5 let me ask you again about estimated versus actual cost of
6 drilling.

7 LESLIE K. ARRINGTON: Uh-huh.

8 BILL HARRIS: This was...according to what we have,
9 this was drilled in May of '02.

10 LESLIE K. ARRINGTON: Yes, it was.

11 BILL HARRIS: Is there some way to revise---?

12 LESLIE K. ARRINGTON: Okay. Let me---.

13 BILL HARRIS: ---the figures so that we have more
14 of an actual---?

15 LESLIE K. ARRINGTON: Okay, on this---.

16 BILL HARRIS: ---cost?

17 LESLIE K. ARRINGTON: Okay, on this one, this unit
18 was pooled sometime ago in 2002. The cost that's in there
19 was my original cost that I've shown---.

20 BILL HARRIS: The 230,200.

21 LESLIE K. ARRINGTON: Yes. So, what I do is I
22 continue on using that cost because I don't want to change
23 that amount until everybody has had a chance to make their
24

1 elections. Once they make their elections, if someone deems
2 to...wants to be carried or participating, then we'll submit
3 an updated cost estimate for them to review.

4 MARK SWARTZ: See, the acreage---.

5 SHARON PIGEON: Don't you think that would impact
6 their decision?

7 MARK SWARTZ: Well, if you've got people who have
8 already made an election, you don't want to change the rules
9 of the game on them.

10 LESLIE K. ARRINGTON: Right. See--.

11 MARK SWARTZ: That's...that's the issue.

12 LESLIE K. ARRINGTON: That's what I'm trying to
13 avoid is changing it from somebody seeing it previously and
14 now I'm maybe including somebody different. Changing...I
15 want to keep the playing field the same until all elections
16 are made.

17 BILL HARRIS: Well, I guess I'm a little confused.
18 At no point, I guess, we see an actual cost then or an actual
19 value? I mean, we see estimates, but---.

20 BENNY WAMPLER: Bob, he's asking you.

21 BOB WILSON: I'm sorry?

22 BENNY WAMPLER: Do you have---?

23 BILL HARRIS: Bob. Do we---?

24

--

1 BENNY WAMPLER: Do you have the actual cost of the
2 wells?

3 BOB WILSON: No, we do not routinely get the actual
4 cost of wells. If it were...was required by a person who had
5 elected to participate, if they requested that figure, which
6 they should be able to get from the operator since they are
7 in effect a working interest partner after they make an
8 election to participate. But if they were to come to us and
9 say we cannot get that number, then I think we would enforce
10 the requirement that the company supply that participating
11 partner with the actual costs. It only comes into play when
12 somebody has elected to participate. That's a relatively
13 rare situation.

14 BILL HARRIS: Okay. I mean, I don't know what...I
15 just...I guess I'm just curious to see how close they come to
16 the estimate.

17 BENNY WAMPLER: We can certainly ask that. We...I
18 think a few years back we put together...Mr. Wilson put
19 together a table showing the actual...estimated versus
20 actual. We can certainly update that. You know, get...just
21 pick selected wells and do that.

22 BOB WILSON: Actually, we...excuse me. What we put
23 together most recently was a table comparing the costs of

24

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1 various operators from the AFEs that was submitted. They
2 were not actually...they were only actual costs when the
3 wells had already been drilled. I think you'll find that
4 normally---.

5 BENNY WAMPLER: Right. But you had some of both.

6 BOB WILSON: ---when these applications are filed,
7 if the well was drilled at the time back long enough to have
8 the completed costs in, then the completed costs are what are
9 included in the AFE as opposed to the estimated cost. It's
10 the matter of the stages of the development, I believe,
11 because quite often we do get actual costs if the well has
12 been drilled a period of time prior to the hearing.

13 BILL HARRIS: Well, thank you then.

14 BENNY WAMPLER: Other questions from members of the
15 Board?

16 (No audible response.)

17 BENNY WAMPLER: Do you have anything further, Mr.
18 Swartz?

19 MARK SWARTZ: Well, I think, you know, that Mr.
20 Harris asked a good question. I just want to offer a further
21 comment on that. This FF-30 is being repooled. Okay, it was
22 pooled sometime in '02. You can tell from the number.

23 BILL HARRIS: Right.

24

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1 MARK SWARTZ: The reason it's being repooled is
2 they did some better mapping or some more mapping and some of
3 the acreages changed, I think.

4 LESLIE K. ARRINGTON: Some of the acreage changed.

5 MARK SWARTZ: And some of the people changed. So,
6 you know, as we continue to do our, you know, examination of
7 who has got what in what unit, obviously, those problems
8 arose and we're here to solve them. Traditionally, what we
9 have...what we have tried to do because there were people who
10 were offered an election when this was originally pooled.
11 Now, they're going to be offered an election again because
12 their interests have changed and the acreages have changed.
13 We try to keep the same ball in the air with regard to those
14 people because some of these people were pooled before.
15 That's a decision that we made that we feel makes sense. I
16 mean, if you tell us that that's...that there's some other
17 decision that would make more sense, we would certainly do
18 that. I mean, I...I wanted to respond to your question
19 because I think you got part of an answer, which was true.

20 BILL HARRIS: Yeah.

21 MARK SWARTZ: But you didn't make really get the
22 thought process behind it.

23 BILL HARRIS: Yeah.

24

--

1 MARK SWARTZ: I mean, Les and I have struggled
2 with, you know, what's a reasonable way to solve these kinds
3 of problems on a going forward basis when you've already
4 pooled a unit and people have already made decisions based on
5 a set of facts. Are you going to change that set of facts to
6 any significant extent when they get another opportunity?
7 Our decision has been that it's probably the better course to
8 leave things where they were. If you, as a Board, feel that
9 there is a better course than that, if you share that with
10 us, we will, you know, follow that direction because it's
11 just sort of, I guess, a policy choice that we're making.
12 But certainly you could, you know, insert yourself into that.
13 But that's why we're doing that. With that in mind, I have
14 nothing to add beyond that.

15 BENNY WAMPLER: Okay.

16 BILL HARRIS: If I might just respond.

17 BENNY WAMPLER: Sure, Mr. Harris.

18 BILL HARRIS: I understand that and that certainly
19 makes sense, but in the overall picture, I think what I look
20 at is, you know, we approve these...we don't always approve,
21 but we consider these every month and it would be nice to
22 know at somewhere along the line if the amount that you're
23 saying that it costs, if it's...you know, if the actual cost
24

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1 is somewhere close to that.

2 MARK SWARTZ: You know, I think that we could---.

3 BILL HARRIS: I don't know if we---.

4 MARK SWARTZ: You know, if there's an inquiry in
5 that regard, we can...we can do some, you know, spreadsheets
6 and give you a feel for that to increase your comfort level.
7 You know, the contract prices...I mean, the way these things
8 are prepared, we have contracts with our vendors and you'll
9 notice their footages and their dollars. So, you know, we're
10 making an effort to get them pretty close. I believe the
11 frac is the big variable, you know, and...although we've got
12 a pretty good feel for that, it's a big number in the
13 equation. But, you know, if there's a direction to do that,
14 if Mr. Wilson wants to follow up with us, I mean, we
15 certainly would accommodate those kind of requests.

16 BILL HARRIS: Well---.

17 LESLIE K. ARRINGTON: You know, I'd...probably what
18 I could do is just for information is to follow up with the
19 actual costs on FF-30. Just, you know--.

20 MARK SWARTZ: Just to show you.

21 LESLIE K. ARRINGTON: ---just to show you.

22 BILL HARRIS: Well, if you're offering to do that.

23 MARK SWARTZ: It's not a problem.

24

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1 BILL HARRIS: It would be nice to see. Yes, okay.
2 Thank you. Thank you, Mr. Chairman.
3 BENNY WAMPLER: Other questions from members of the
4 Board?
5 (No audible response.)
6 BENNY WAMPLER: Is there a motion?
7 DONALD RATLIFF: I move to approve K-45 and unit
8 FF-30, Mr. Chairman.
9 BILL HARRIS: Second.
10 BENNY WAMPLER: Motion and second. Any further
11 discussion?
12 (No audible response.)
13 BENNY WAMPLER: All in favor, signify by saying
14 yes.
15 (All members signify by saying yes.)
16 BENNY WAMPLER: Opposed, say no.
17 (No audible response.)
18 BENNY WAMPLER: You have approval. The next item
19 on the agenda is a petition from CNX Gas Company, LLC, for
20 pooling of a coalbed methane unit BG-113, docket number VGOB-
21 04-0316-1263. We'd ask the parties that wish to address the
22 Board in this matter to come forward at this time.
23 MARK SWARTZ: Mark Swartz and Les Arrington.

24

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1 BENNY WAMPLER: The record will show there are no
2 others. You may proceed.

3 MARK SWARTZ: Mr. Chairman, I would...I would ask
4 that you consider...there are actually three Middle Ridge
5 units on the docket today. There is the one you just called
6 and five and six behind it. If you would consider...if the
7 Board would consider combining those, I think that would be
8 helpful.

9 BENNY WAMPLER: We'll go ahead and call BG-114,
10 which is docket number VGOB-04-0316-1264; and BH-113, docket
11 number VGOB-04-0316-1265. We'd ask the parties that wish to
12 address the Board in these matters to come forward at this
13 time.

14 MARK SWARTZ: Mark Swartz and Les Arrington.

15 BENNY WAMPLER: The record will show there are no
16 others. You may proceed.

17 MARK SWARTZ: And you'll notice just for
18 information purposes when you look at the pretty extensive
19 list of folks, they're the same list in all three of these
20 units. It is indeed an overlap here.

21

22 LESLIE K. ARRINGTON

23 DIRECT EXAMINATION

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1 QUESTIONS BY MR. SWARTZ:

2 Q. Mr. Arrington, can you state your name
3 again?

4 A. Leslie K. Arrington.

5 Q. I'll remind you that you're still under
6 oath.

7 A. Yes.

8 MARK SWARTZ: Mr. Chairman, I would ask that we be
9 allowed to incorporate the testimony with regard to CNX in
10 general and with regard to the releasing testimony that Mr.
11 Arrington offered previously.

12 BENNY WAMPLER: That will be incorporated.

13 Q. Mr. Arrington, these are three Middle Ridge
14 units, is that correct?

15 A. Yes, they are.

16 Q. And each of these units is, I believe, 58.74
17 acres?

18 A. Yes.

19 Q. So they are the standard size?

20 A. Yes, they are.

21 Q. Is it true that there's one frac well
22 proposed in each of these units?

23 A. It is.

24

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1 Q. And is it true that that proposed well lies
2 within the drilling window in each of these units?

3 A. Yes.

4 Q. What did you do to tell the people that
5 ...the extensive list of people that you've listed here about
6 the hearing today?

7 A. They were mailed...all the units were mailed
8 by certified mail return receipt requested on February the
9 13th, 2004. BG-113 was published in the Bluefield Daily
10 Telegraph on February the 27th. BG-114 was published in the
11 Bluefield Daily Telegraph on February the 27th, 2004. BH-113
12 was published in the Bluefield Daily Telegraph on February
13 the 28th, 2004.

14 BENNY WAMPLER: Let me ask a question right here.
15 I had some questions from some of the folks that are here.
16 Tell us a little bit about what you've...what you've gone
17 through in order to come up with these names and---.

18 LESLIE K. ARRINGTON: It has taken us a long time
19 to even get this list. We're continuing to do due diligence,
20 phone calls, courthouse, whatever method they can do to get
21 the correct names. We're continuing a leasing effort. We're
22 continuing to collect names and addresses. But as you can
23 see from the list, it's very lengthy. There is several....

24

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1 numerous names listed as address unknown. We're continuing
2 to try to gather that information. We have one person that
3 that's their job to sit there at the phone and do phone
4 calls. We're just continuing to work on this one. We are
5 going to...in the near future when it's time for a
6 supplemental order, there will be some dismissals. There
7 will be some additions because, quite frankly, we are missing
8 some things. We're trying our best to locate everyone.

9 BENNY WAMPLER: When you go to the courthouse and
10 you find the deeds and you identify parties and start running
11 that trail to identify them and you find one party is
12 deceased, what do you go to at that point in time?

13 LESLIE K. ARRINGTON: They will try to find out who
14 the heirs are of whomever that person is and continue to
15 follow that lead. If you'll notice---.

16 BENNY WAMPLER: Looking at Wills and---.

17 LESLIE K. ARRINGTON: Wills, we'll collect the data
18 and continue to try and identify those folks. Are we having
19 a problem with this one? Absolutely. This one has been a
20 problem. We've been working on this one, how long? Quite
21 some time.

22 ANITA TESTER: Yeah, at least six months.

23 LESLIE K. ARRINGTON: Probably six months. We
24

1 realize it's...there's still a lot of work to do. They're
2 still working on it.

3 (Anita Tester confers with Leslie K. Arrington.)

4 LESLIE K. ARRINGTON: People come by the office.
5 Every lead we can get, we're using it.

6 BENNY WAMPLER: Okay.

7 MARK SWARTZ: You know, along those lines, Mr.
8 Chairman---

9 Q. Les, let's just...in this context, and we'll
10 come back to it later, but let's share with the Board sort
11 the...in spite of the problems, what are you seeking to pool
12 in these three units? I mean, what is...what is not leased?

13 A. What is not leased in BG-113 is 9.196808%;
14 in BG-114, 0.950484%; in BH-113 is 1.865764% of the coal, oil
15 and gas owners.

16 Q. So, one of the units, you've leased more
17 than 90% of the people?

18 A. Uh-huh.

19 Q. In another one, you've leased more than 98%?

20 A. Correct.

21 Q. And in another one, you've leased more than
22 99%?

23 A. Correct.

24

--

1 Q. But you're still...you know, you still have
2 this list of folks that you're sharing with the Board that
3 fall within those percentages that are outstanding?

4 A. That's correct.

5 Q. With regard to...let's take these units one
6 at a time now and start with BG-113, okay. Is there...is
7 there any folks that you want to dismiss as respondents
8 today?

9 A. No.

10 Q. Okay. Is there anybody that you need to add
11 today?

12 A. No.

13 Q. Okay. As you go forward, do you anticipate
14 that in the supplemental order, or other context, there may
15 be some dismissals and there may be some added names?

16 A. I'm sure there will be.

17 Q. Okay. There is an escrow requirement with
18 regard to BG-113. One of the escrow requirements would
19 simply be for people with addresses unknown, correct?

20 A. That's correct.

21 Q. And that would be in Tract 1?

22 A. In Tract 1 on BG-113, that's correct.

23 Q. Right. There is not an escrow requirement
24

1 for conflicts?

2 A. No.

3 Q. And there are no split agreements?

4 A. No.

5 Q. Is the well that's proposed in this unit, I

6 take it there's not a permit issued yet?

7 A. On BG-113, yes, it was issued.

8 Q. It is?

9 A. Yes.

10 Q. Okay, what's the permit number?

11 A. 6098.

12 Q. Okay. What's the proposed or estimated

13 depth of that well?

14 A. 2,810 feet at an estimated cost of

15 \$243,620.45.

16 Q. With regard to the next unit, BG-114,

17 okay---?

18 A. Uh-huh.

19 Q. ---do you want to add any folks to the list

20 of respondents today?

21 A. No, we do not.

22 Q. And is there anyone to be dismissed today?

23 A. No.

24

--

1 Q. Is there an escrow requirement for folks
2 with unknown addresses in Tract 2?

3 A. That's correct.

4 Q. But there is no conflict escrow requirement?

5 A. No.

6 Q. And there are no split agreements?

7 A. No.

8 Q. Is there...is there a well permit for the
9 proposed well in that unit?

10 A. Yes, it is, 6099.

11 Q. And what's the estimated depth?

12 A. 2,745 feet.

13 Q. And the estimated cost?

14 A. \$242,110.20.

15 Q. With regard to BH-113, do you want to add
16 any respondents or dismiss any today?

17 A. No, we do not.

18 Q. Is there an escrow requirement because of
19 address issues?

20 A. Yes, Tract 2.

21 Q. All right. No escrow requirements for
22 conflicts?

23 A. No.

24

1 Q. And there are no royalty split agreements?
2 A. No.
3 Q. Is there a well permit for the well?
4 A. Yes, it is, 6097; estimated depth 2870,
5 estimated cost \$246,044.25.
6 Q. With regard to these three units, is
7 your...is it your opinion that the plan of development that's
8 disclosed by the application and related exhibits, which is
9 essentially to drill one frac well in the drilling window is
10 a reasonable plan to develop coalbed methane in these...in
11 these units?
12 A. Yes, sir.
13 Q. And if you couple the leasing efforts, which
14 you've described, with regard to each of these units, if you
15 combine that with a pooling order dealing with the unleased
16 interest, would those two events cause the correlative rights
17 of all owners and/or claimants to be protected?
18 A. Yes, it will.
19 MARK SWARTZ: Mr. Chairman, that's all I have with
20 regard to these three units.
21 BENNY WAMPLER: Let me ask you a question, and then
22 I'll turn it over to members of the Board, you have
23 admittedly a lot of people...you know, small percentages,
24

1 yes, but a lot of people with address unknown. Do you have
2 any thoughts as to once the Board issues an order, ways to
3 try and help insure folks that may be on here without an
4 address could know about it?

5 LESLIE K. ARRINGTON: People that's not listed, how
6 they would know about it?

7 BENNY WAMPLER: No, people that you have listed,
8 but don't have addresses.

9 LESLIE K. ARRINGTON: Right. That...that was the
10 reason we...we're required to do a publication.

11 BENNY WAMPLER: I understand that as far as notice
12 goes.

13 LESLIE K. ARRINGTON: Uh-huh.

14 BENNY WAMPLER: I'm asking is there...when you have
15 large numbers like this---?

16 LESLIE K. ARRINGTON: Yes.

17 BENNY WAMPLER: ---I'm just asking an open
18 question, is there more we should do once we have an order to
19 make sure people know we have an order out there for
20 consideration?

21 LESLIE K. ARRINGTON: Other than us continuing to
22 try to locate these folks, I don't know much of any other way
23 to do that.

24

--

1 BOB WILSON: Mr. Chairman.

2 BENNY WAMPLER: Mr. Wilson.

3 BOB WILSON: I might point out that the publication
4 that they filed this morning with the Board as required
5 actually lists individually the names of each of these people
6 rather than publishing the location of the unit, they publish
7 each individual name in the...in the notice.

8 MARK SWARTZ: That's why we do that. But it
9 doesn't answer your question.

10 LESLIE K. ARRINGTON: You're speaking to Board
11 order.

12 BENNY WAMPLER: I'm saying once the Board issues
13 the order---.

14 LESLIE K. ARRINGTON: I understand.

15 BENNY WAMPLER: I know there's no requirement to do
16 nothing.

17 LESLIE K. ARRINGTON: And I understand your
18 question.

19 BENNY WAMPLER: I'm just asking where we have large
20 numbers and, of course, I guess someone could say, well, why
21 should there be large numbers or whatever, if you have one
22 even.

23 LESLIE K. ARRINGTON: Uh-huh.

24

1 BENNY WAMPLER: You know, I know you can always get
2 into that debate.

3 MARK SWARTZ: Well, the worse problem---.

4 BENNY WAMPLER: Just raising the question.

5 MARK SWARTZ: I mean, the biggest problem is...just
6 take an example...in an instance where you don't have a Will,
7 so you know somebody is deceased. They don't have a Will.
8 There has been no probate. You know, so then you're trying
9 to find out who the heirs are and there's nothing of record
10 to, you know, to get you to their decedents, you know. So,
11 then you're developing kind of an oral history of that family
12 member. You're then talking to people about, you know, how
13 many children did that person have? What was the mar...and
14 it's just an oral history that you're developing. And that,
15 you know, I'm sure is a good part of this, you know.
16 Sometimes families, you know, get it together later on and
17 will file the requisite paperwork to identify the heirs and
18 let it pass by intestate succession. But, I mean, that's
19 what you get into here. So, you're kind of developing by
20 talking to people. I'm sure you've seen people come in here
21 before and fill in the blanks with regard to their cousins
22 and so forth. That's the...you know, I don't know how you
23 address that other than, you know, they need to continue to
24

1 work that problem. But that's the problem. I mean, there's
2 no easy way for you or for them.

3 BENNY WAMPLER: Well, the only...I mean, you know,
4 obviously, consider a subsequent publication. The Board has
5 issued an order in this regard---.

6 MARK SWARTZ: Right.

7 BENNY WAMPLER: ---and you have thirty days to make
8 an election or something like that. That's---.

9 MARK SWARTZ: Right.

10 BENNY WAMPLER: Mr. Garbis, do you have a question
11 or comment?

12 DENNIS GARBIS: Have you considered potentially...I
13 know if you go on the Internet and go into whitepages.com and
14 then if you don't get a hit on that, there's some other...you
15 can go like into judgments against a person, this and that
16 and the other. Now, some of those cost money. But I believe
17 potentially that could be an avenue. I'm not into that sort
18 of thing, but I think you might be able to---.

19 MARK SWARTZ: I'll let them respond to it.

20 DENNIS GARBIS: Yeah, I don't know.

21 MARK SWARTZ: I think you guys do that.

22 LESLIE K. ARRINGTON: We do those things.

23 MARK SWARTZ: Well, you need to tell him.

24

--

1 LESLIE K. ARRINGTON: Yeah, we do those type of
2 things. But I don't know whether---.

3 (Leslie K. Arrington confers with Mark Swartz.)

4 MARK SWARTZ: Okay, Les, you need to tell them
5 that.

6 LESLIE K. ARRINGTON: Okay. I didn't know whether
7 you---.

8 MARK SWARTZ: Yeah.

9 LESLIE K. ARRINGTON: There is...on this large
10 tract of land, there is an active partition suit in progress
11 on this tract. So, you know, in hopes in the near future,
12 this will be corrected. We're not doing the partition suit.
13 Someone else is doing it. You know, hopefully, this thing
14 is going to be corrected.

15 MARK SWARTZ: But that would be the Court actually
16 involved in trying to locate---.

17 LESLIE K. ARRINGTON: Yes.

18 MARK SWARTZ: ---heirs and determine who owns what
19 in this tract. With regard to Mr. Garbis' question, though,
20 tell...tell the Board what you do, if anything, on the
21 Internet.

22 LESLIE K. ARRINGTON: Well, she will type in the
23 names on the Internet trying to find a proper address. But
24

1 you've got to remember also on the Internet when you find
2 those names, you may find, you know, a hundred Les
3 Arringtons, you know, on some of the names. So, then you go
4 through that process trying to eliminate them and get them
5 down to that point.

6 BENNY WAMPLER: Other questions from members of the
7 Board? I'm not going to follow up on that, obviously. Just
8 keep the question out there. It's one of those that it's not
9 the first time the thought has come to my head in our charge
10 to protect correlative rights and other kinds of things when
11 we have address unknown even though the law didn't go to
12 specifics, we are charged with that. I was just wondering if
13 there's a way that doesn't just add cost but to legitimately
14 try to make sure people know about the fact that there's an
15 order out there. The obvious first stage, and the way the
16 law sets it out is a notice, you've done that, you've listed
17 the individuals, you've complied with the law. I'm just
18 looking to see if there's other ways to continue that process
19 to help facilitate the identification and location of the
20 individuals.

21 LESLIE K. ARRINGTON: Okay.

22 BENNY WAMPLER: Do you have anything further?

23 MARK SWARTZ: No, I do not.

24

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1 BENNY WAMPLER: Is there a motion?

2 JIM McINTYRE: Motion for approval.

3 BENNY WAMPLER: Motion to approve.

4 DONALD RATLIFF: Second.

5 BENNY WAMPLER: Second. Any further discussion?

6 (No audible response.)

7 BENNY WAMPLER: All in favor, signify by saying

8 yes.

9 (All members signify by saying yes.)

10 BENNY WAMPLER: Opposed, say no.

11 (No audible response.)

12 BENNY WAMPLER: You have approval.

13 MARK SWARTZ: I think if I could beg Mr. Kiser to

14 allow me to ask you to skip to thirteen and fourteen so you

15 can continue them because we're trying to...we're engaged in

16 some additional leasing negotiations and discussions on your

17 thirteen and fourteen and we'd like to continue those. Do

18 you need thirty days, Les?

19 LESLIE K. ARRINGTON: Yes.

20 MARK SWARTZ: That ought to work?

21 LESLIE K. ARRINGTON: Absolutely. Yes. I talked

22 ...we talked to them yesterday.

23 MARK SWARTZ: Okay.

24

1 LESLIE K. ARRINGTON: I'm pretty sure we're going
2 to arrive at a lease on that.

3 BENNY WAMPLER: We have a request to continue
4 docket number VGOB-04-0316-1272. This is for coalbed methane
5 unit...is that I---?

6 MARK SWARTZ: I.

7 BENNY WAMPLER: ---16, and also for coalbed methane
8 unit I-17, docket number VGOB-04-0316-1273. Those are
9 continued without objection. I believe you have one other
10 one on the agenda.

11 MARK SWARTZ: Right.

12 BENNY WAMPLER: It's number sixteen.

13 MARK SWARTZ: We've done FF-30 and then we've got
14 this combining allowables of sixteen. I'd appreciate it if
15 we could...if we could address that.

16 BENNY WAMPLER: Is that agreeable?

17 JIM KISER: That's fine.

18 BENNY WAMPLER: All right. The...we'll go to the
19 last item on the Board's agenda today, which is item sixteen.
20 A petition from CNX Gas Company for combination of drilling
21 unit allowables for unit T-17, S-18 and S-20, docket number
22 VGOB-99-1117-0765-01. We'd ask the parties that wish to
23 address the Board in this matter to come forward at this
24

1 time.

2 MARK SWARTZ: Mark Swartz and Les Arrington.

3 BENNY WAMPLER: The record will show there are no
4 others. You may proceed.

5

6 LESLIE K. ARRINGTON

7 QUESTIONS BY MR. SWARTZ:

8 Q. State your name for us.

9 A. Leslie K. Arrington.

10 Q. You're still under oath?

11 A. Yes.

12 MARK SWARTZ: I would like to incorporate the
13 testimony with regard to who he works for and so forth.

14 BENNY WAMPLER: That will be incorporated.

15 Q. Les, these three units are within the sealed
16 gob area of the old Beatrice Mine, is that right?

17 A. Yes, that's correct, they are.

18 Q. And they're located in the shaded portions
19 of the grid, Exhibit A-1. There's sort of a piece of a
20 county map and it's got the three units, correct?

21 A. That's correct. Uh-huh.

22 Q. And pursuant to a field rules order that
23 this Board created just for the Buchanan County Mine, do you

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1 remember that?

2 A. Just for the---?

3 Q. I'm sorry, the Beatrice Mine, remember that?

4 A. Yes. Uh-huh.

5 Q. There was a production limit assigned to

6 each 80 acre unit within that mine?

7 A. Yes, it was.

8 Q. And what was the limit?

9 A. It was 350 million cubic feet of gas per 80

10 acre unit.

11 Q. Okay. And for some units would that

12 allowable actually be less than 350?

13 A. That's correct, it is.

14 Q. And what would cause that to happen?

15 A. When there was less of...a portion of the 80

16 acre unit only within that Beatrice sealed gob unit.

17 Q. Okay. So, if an 80 acre unit only had 10

18 acres in the mine, it would be one-eighth of the allowable?

19 A. That's right.

20 Q. 1/8?

21 A. Uh-huh.

22 Q. Correct?

23 A. Uh-huh.

24

1 Q. And if you had...if the unit had 80 acres in
2 the mine works---?
3 A. Right.
4 Q. ---in the sealed gob area, then it would be
5 the 350?
6 A. That's correct.
7 Q. Did the Board, in its field rules with
8 regard to the Beatrice Mine, allow the operator to come back
9 and ask permission to combine or stack allowables?
10 A. Yes...yes, they did.
11 Q. Okay. And was the purpose of that to allow
12 one well to produce gas from more than...allocated to more
13 than one unit?
14 A. Yes, it was.
15 Q. So, it was, in effect, a cost saving effort?
16 A. Yes, it was.
17 Q. And also a surface disturbance issue?
18 A. Yes.
19 Q. You would need less wells to produce the
20 gas, correct?
21 A. Correct.
22 Q. What are you asking the Board to do with
23 regard to these three units?
24

1 A. Well, previously we had combined T-17 and S-
2 18, and now we're asking to combine S-20 to give us a total
3 of 807 million cubic feet of gas to be removed from that
4 well. The production royalty from this S-20, 350 million
5 will be paid just to S-20.

6 Q. Okay. And when you stack the allowables, do
7 you produce the gas allocated to the unit that the well is in
8 first?

9 A. We did.

10 Q. And then when you're done producing that
11 well, you stack the next one?

12 A. We did. That's correct.

13 Q. And have you finished, or are you about to
14 finish producing the second half?

15 A. Yes, we have finished on S-18.

16 Q. Okay. So you pay those people?

17 A. Uh-huh.

18 Q. And what you're proposing to do now is to
19 add the production, the 350 million allocated to S-20?

20 A. Correct.

21 Q. And be allowed to produce that and pay it to
22 the folks in S-20 through the well that's located in T-17?

23 A. That's correct, we are.

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1 MARK SWARTZ: That's all I have, Mr. Chairman.

2 BENNY WAMPLER: Questions from members of the
3 Board? Is that adequate explanation of what they're doing?
4 Go ahead and start with some basics and stuff here and
5 discuss that.

6 A. Okay. Years ago, and I'm not sure of the
7 time frame, how many years ago it was.

8 Q. '99.

9 A. Was it '99? That was the first one.

10 Q. Oh, okay.

11 A. We formed what was called, over top of the
12 Beatrice mines, was called the Beatrice Sealed Gob Unit so we
13 could produce gas from that sealed area.

14 BENNY WAMPLER: Once mining had taken place. Get
15 real basic here.

16 A. Yeah. The three seam mining had taken
17 place, the mine sealed and I believe, if I'm not mistaken,
18 the total acreage within that sealed area was 6,600 acres, I
19 believe. I may be off a little bit on that. And what the
20 Board decided at that point was from that sealed gob area, we
21 could produce per 80 acre units, 350 million cubic feet of
22 gas from each 80 acre unit, since some gas had been liberated
23 from mining, from the mining process. And also, so we have

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1 some VVHs there, so to take care of those...let those VVHs
2 produce that gas, they're allowing us to incorporate
3 different units to produce through that well. So if you have
4 one well and it produces 350 million cubic feet and it's
5 still producing, they're allowing us to add another unit to
6 it and produce another 350 million cubic feet of gas from
7 that well. What we're doing is continuing to add so we don't
8 have to drill additional wells since that well will continue
9 to produce within that entire sealed gob area.

10 BENNY WAMPLER: Those parties within those units,
11 how are they paid?

12 A. Just as though that well is in that unit, if
13 that's your question.

14 BENNY WAMPLER: Yes. Well, I'm clarifying for the
15 Board members so that they can understand what we're doing
16 here. Rather than have a well in each unit, you're drawing
17 out and going to that allowable collectively---.

18 A. Yes.

19 BENNY WAMPLER: ---as you accumulate that. But the
20 parties that are in that unit are still paid as though that
21 well were there.

22 A. That's correct.

23 BENNY WAMPLER: They're just not being charged for
24

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1 a well in each of the units.

2 A. That's correct.

3 MARK SWARTZ: Mr. Arrington, let's pretend that

4 this room is the Beatrice mine, okay?

5 A. Uh-huh.

6 MARK SWARTZ: And let's pretend that every ceiling

7 tile is an 80 acre Oakwood unit.

8 A. Uh-huh.

9 MARK SWARTZ: And if you drill in the far corner

10 over there, a well---?

11 A. Uh-huh.

12 MARK SWARTZ: ---at least as I see it, it would be

13 that, you know, to the left, my left and ahead of me, and you

14 put a well there, eventually would that well in that far

15 corner drain gas from the well in the opposite corner of the

16 room?

17 A. Yes, it could.

18 MARK SWARTZ: And was the theory, since all of

19 these units had gas that was really in communication one with

20 the other, that it would be fair to assign a portion of the

21 total gas contained in the Beatrice mine on a per unit basis?

22 A. Yes.

23 MARK SWARTZ: And the Board decided that they would

24

1 then allocate that total to each of the units and say, when
2 you're done producing that amount from this given unit, those
3 people receive their fair share and you need to move on?

4 A. That's correct.

5 MARK SWARTZ: Is that sort of the way it works?

6 A. Yes, it is.

7 MARK SWARTZ: I don't know if that helps, Mr.

8 Garbis.

9 DENNIS GARBIS: Well, it does help, however, I'm
10 concerned that at the end of the day, are we optimizing how
11 much gas we'll get out of the total Beatrice...you know, the
12 whole field. I understand if you have a well over here and,
13 you know, there's the transmissive...I think I got that
14 right, factor, you know, over a period of time. I just want
15 to make sure that we get every ounce of gas out of the area
16 that it's possible to get. So I appreciate it maybe in the
17 short term, and this may not be a problem, but when I look at
18 this whole field over here, if you're drilling one well over
19 here and one well over here, I'm still concerned about
20 getting this over here. So I wanted to make sure that we're
21 getting everything there is to get.

22 A. I understand.

23 DENNIS GARBIS: I understand it was a good analogy,

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1 but I'm looking at the bigger picture, though.

2 A. We do have and I can't tell you the exact
3 number, ten, twelve wells within the Beatrice area, ten or
4 twelve wells.

5 DENNIS GARBIS: For 6,000 acreages?

6 A. Yes. I can't remember the exact number of
7 wells.

8 DENNIS GARBIS: Is that enough? I don't know if
9 that's enough.

10 A. We continue to look for more locations. I'm
11 continuing to do so, yes. Locations are tough in that area.

12 BOB WILSON: Mr. Chairman.

13 BENNY WAMPLER: Mr. Wilson.

14 BOB WILSON: I might point out that this production
15 is coming basically from a void, an open space that's been
16 mined out, so it's in total communication essentially, in a
17 simplified diversion. That entire mine space is in
18 communication with any well you put in there. So basically
19 in theory, you'd produce every bit of gas that's in that mine
20 from the highest well, single well, as has been poked into it
21 because it's like poking a straw into a big open area. So
22 what they did, the initial order was brought before the
23 Board, they determined to the best of their ability the total

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1 amount of gas that was contained in that mined out open space
2 and they divided that equally among all the units. So in
3 theory, it doesn't matter where the well is. Like I say, at
4 the end---.

5 DENNIS GARBIS: In theory.

6 BOB WILSON: In theory, because you're not working
7 with reservoirs; you're working with an open void.

8 DENNIS GARBIS: My question is just how open is the
9 void? I don't mean to belabor the issue, but that's my
10 concern and I'm sure that we...I mean, we don't like to leave
11 the pennies on the table.

12 MARK SWARTZ: Well, to make a crass assumption that
13 people do things for economic reasons, okay, it is
14 economically beneficial for CNX or other people, because this
15 is not control...I mean, other people can drill into the
16 Beatrice mine and come to the Board. You know, it's not like
17 we have control over it, but it makes economic sense for CNX
18 to produce as many units through the limited number of wells
19 they have, and keep stacking that allocation forever. I
20 mean, they've got X of an investment and as long as they can
21 continue to do title on these 80 acre units and produce them
22 at 350 thousand mcf, I mean, they're going to continue to do
23 it.

24

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1 DENNIS GARBIS: Sure.

2 MARK SWARTZ: There's an economic incentive to get
3 to the end of the day and say we got it all. Beyond telling
4 you that there's an economic incentive to do that, you know,
5 that's the incentive. There's a reason to get there.

6 BENNY WAMPLER: How do you prorate the cost of the
7 wells that are in there now back to these units?

8 A. Back to these units?

9 BENNY WAMPLER: Yes.

10 A. Well, at this point, we have not had to pool
11 any units, so we haven't had to do that. I was just sitting
12 here---.

13 BENNY WAMPLER: You have voluntary.

14 A. They're all voluntary at this point, yes.

15 JIM MCINTYRE: How do you know when you get to that
16 last unit there's going to be gas in that well to equalize
17 the other units?

18 A. You know, we don't. We don't know that.

19 MARK SWARTZ: There may be more, too.

20 A. Yeah, that's right.

21 JIM MCINTYRE: But the only payments being made are
22 made to each individual that's in the unit, right?

23 A. That's correct, it is.

24

1 BILL HARRIS: Mr. Chairman, I have another
2 question. This is...and I understand about the open area and
3 the migration of the gas underneath these units. Is there
4 any requirement that the units that we're talking about
5 combining the allowables, is there any requirement that they
6 be contiguous units?

7 A. None.

8 BILL HARRIS: I notice that they....these meet at
9 the corners and then we actually skip one.

10 BENNY WAMPLER: No, see, the way that we allocated
11 this was, the 350 million cubic feet was, per unit.

12 BILL HARRIS: Per unit. So it really doesn't
13 matter which units are---.

14 BENNY WAMPLER: No. That's right.

15 BILL HARRIS: And I guess I'm looking at the
16 surface, saying if we're talking about migration or whatever.
17 But again---.

18 BENNY WAMPLER: The question would be is there a
19 method to where they're picking these units?

20 BILL HARRIS: Oh, okay. That's a question.

21 BENNY WAMPLER: I'm just helping you with a
22 question.

23 MARK SWARTZ: We're picking the units based on
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1 units that we have leased.

2 A. Just a further little point on the question
3 there, that unit that's missing in the middle there---.

4 BILL HARRIS: Yes.

5 A. It's already used.

6 BILL HARRIS: When you say used---.

7 A. It's already used.

8 BILL HARRIS: How do you define used?

9 A. It's already been incorporated in with
10 another well.

11 BILL HARRIS: Okay.

12 MARK SWARTZ: The other thing, you know, you may
13 not have a collective memory here as a Board, because we've
14 got some new members. This order was not something that CNX
15 was seeking, or their predecessor. There was a fellow who
16 got control of an Island Creek VVH well, created a little
17 public service district without registering with the State,
18 claimed he wasn't selling gas, etcetera, etcetera, etcetera.
19 It was not a fun time for everybody in terms of regulatory
20 issues. We got lessors who have gas in there. He's taking
21 their gas. I mean, it was a nightmare, and I bet the Board
22 struggled with that problem on and off over a couple years;
23 and ultimately, the solution was, you know, give that guy an
24

1 opportunity to produce gas from the Beatrice mine if he could
2 get his regulatory and permit stuff in place and give
3 everybody the same shot at that. I still believe, and I told
4 my client this, if we had gone to the Board as a company and
5 sought that kind of relief, we would never have gotten it.
6 But because there was, you know, a plain old guy, okay, who
7 had a major league problem that the Board was interested in
8 helping him solve, which I don't think was an unreasonable
9 interest, you know. But that's how this happened. When we
10 were talking about reserves, it wasn't like he called
11 engineering experts in here, reservoir engineers to talk
12 about gas in this void space and recharge of the reservoir
13 and all that. I mean, we offered...it's been a while and I
14 don't remember. I know we did that, though. We had
15 reservoir engineering testimony with regard to, you know,
16 what would be a reasonable engineering conclusion to what
17 could be produced from this void space over a substantial
18 period of time.

19 My recollection is that we didn't allocate based on
20 a max. I mean, my assumption to come back to your question,
21 I think, is I think there was actually a discussion at the
22 point in time the Board did this about whether or not there
23 would be gas left and if we'd have to come back at the end.

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1 If it was all allocated and produced and there was still gas
2 to be had, to try and redistribute some, you know, on some
3 estimated basis what might be left in the ground. You know,
4 that's why it happened. There was engineering testimony. I
5 mean, it wasn't pick a number. You know, calculated the void
6 space, the recharge, because to some extent this is
7 recharging. You know, and don't lose sight of Mr. Wilson's
8 comment. You know, coal seams have elevations and they're
9 not like pool tables. So if you get at the up tip part of
10 that seam, you know, at the high...because gas rises, and it
11 rises underground in a mine just like it rises on the surface
12 of the earth. If you get at a high point in that mine, he's
13 absolutely right. To the extent that gas can communicate in
14 those void spaces, most of it is going to find it's way to
15 the high point. So, you know, the idea that you could
16 produce virtually all the gas from a well is not a silly
17 idea. You know, it's...there's some communication in
18 collapse issues in the mine. We don't know that, and that
19 was the idea.

20 MASON BRENT: I think Mr. Harris' question, at
21 least from my perspective, still begs an answer in that
22 beyond the issue of whether it's leased, the unit is leased
23 or not, you know, what's the line of reasoning you use to

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1 decide which units you want to combine with that one well
2 wherever it may be?

3 MARK SWARTZ: We have large lessors with big
4 acreage positions in the Beatrice mine. And we are going to
5 continue, I would imagine, to create voluntary units until we
6 run out of acreage and then we'll start force pooling people
7 in that mine. Am I right, Les?

8 A. That's pretty much it, and the next time I
9 bring one of these to the Board, we keep a map which I didn't
10 bring with me and I should have. We keep a map that shows...
11 that would have shown S-18, T-17 and S-20 are combined
12 together. And we've got...on that map it's color coded, that
13 will show you those three are together. Then it'll have
14 another color that will say these two units are together.
15 That one corner of the Beatrice mine, when you'll see that
16 map, is pretty much filled in and we're starting to step away
17 from it now. I've got, one...three areas that we have wells
18 and that's what we're doing. I'm not putting down here in
19 the corner with a well and then going way up here in the
20 other corner and getting...you know, I'm not at that point
21 yet. I'm still developing out of those corners right now.

22 MARK SWARTZ: The area we're into pretty much was a
23 longwall area. Who was the lessor that was primarily---?

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1 A. Yukon.

2 MARK SWARTZ: Yukon, yeah. So we're in...you know,
3 we've got leases with Yukon Pocahontas and it was a longwall
4 area. That's a corner of the mine that these are in. You
5 know it's a corner because T-17 is not...I believe it's T-17.
6 T-17 is not an 80 acre in the...so there's a corner there.
7 You need to bring the map the next time you come on one of
8 these because you'll see, you know, where we are in terms of
9 development.

10 BENNY WAMPLER: Other questions from members of the
11 Board?

12 (No audible response.)

13 BENNY WAMPLER: Do you have anything further, Mr.
14 Swartz?

15 MARK SWARTZ: No.

16 BENNY WAMPLER: Is there a motion?

17 DONALD RATLIFF: So move, Mr. Chairman.

18 BENNY WAMPLER: Motion to approve.

19 MASON BRENT: Second.

20 BENNY WAMPLER: Second. Any further discussion?

21 (No audible response.)

22 BENNY WAMPLER: All in favor, signify by saying
23 yes.
24

1 (All members signify by saying yes.)
2 BENNY WAMPLER: Opposed, say no.
3 (No audible response.)
4 BENNY WAMPLER: You have approval.
5 MARK SWARTZ: Thank you all very much.
6 BENNY WAMPLER: We'll take a ten minute recess and
7 give other parties a chance to get set up.
8 (Recess.)
9 BENNY WAMPLER: Well, I've got a quorum, so we're
10 going to reconvene. The next item on the agenda is a
11 petition from Columbia Natural Resources for a well location
12 exception for proposed well 825247. This is docket number
13 VGOB-04-0316-1266. We'd ask the parties that wish to address
14 the Board in this matter to come forward at this time.
15 JIM KISER: Mr. Chairman, members of the Board, Jim
16 Kiser on behalf of Colombia Natural Resources, LLC. Our
17 witness in this matter will be Mr. Robert Keenan. I would
18 ask that he be sworn at this time and I'm going to pass out a
19 a revised plat to everybody.
20 (Witness is duly sworn.)
21 BENNY WAMPLER: The record will show there are no
22 others. You may proceed.
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ROBERT KEENAN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Keenan, if you'd state your name for the record, who you're employed by and in what capacity?

A. Robert L. Keenan. I'm employed by Columbia Natural Resources, LLC, as a senior engineer in the engineering department.

Q. And you've previously testified before the Virginia Gas & Oil Board and your qualifications as an expert witness in the area of location exceptions and variances has been accepted by the Board?

A. Yes.

Q. And do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. Now are you familiar with the application we filed seeking a location exception for well number 825247?

A. Yes.

Q. Now, we just filed a revised plat. Can you explain what revision was made to the plat in contrast to the

1 plat that was filed with the original application.

2 A. Nothing changed so much as far as the CNR
3 well location 825247, which is the topic of this discussion.
4 However, the previous plat indicated that permitted well
5 number 825246 had the these spokes around the well location
6 which is usually associated with connotation of a well that's
7 previously been drilled. Well 825246 has only been
8 permitted, it was permitted in December of this year. We
9 just want to...we want the revised plat to reflect that this
10 is a permitted location, not an existing well.

11 JIM KISER: Everybody clear on that?

12 SHARON PIGEON: 46?

13 A. 825246 is the permitted location. 825247 is
14 the well that we're discussing now.

15 Q. And the old plat didn't show it as a
16 permitted well and the spokes generally denote that it's an
17 active well.

18 Q. Have all interested parties been notified as
19 required by Section 4(b) of the Virginia Gas and Oil Board
20 regulations?

21 A. Yes.

22 Q. That would include all mineral owners and we
23 also noticed Equitable Production Company and their working
24

1 interest partners in the well in which we're seeking an
2 exception on?

3 A. Yes.

4 Q. Or from the well we're seeking an exception
5 from. And could you indicate to the Board the ownership of
6 the oil and gas underlying that unit for well 825247?

7 A. The oil and gas owner is Arc Land Company.

8 Q. Now, this is a little trickier than this
9 question normally is. Does CNR have the right to operate the
10 reciprocal wells?

11 A. That's a yes and no response. We have the
12 right to operate the well with the Arc Land Lease, the most
13 closest being well 825246. We do not have the right to
14 operate the wells that are on the adjoining mineral tract
15 that Equitable Production Company has, which was leased from
16 Penn Virginia. And that is one of the wells affected, that
17 we're discussing this hearing, V-133702.

18 Q. All right. So we're actually seeking an
19 exception from two different wells; one is the permitted CNR
20 well, 825246, and one is the existing Equitable well, V-
21 133702. Now, that well was drilled in 1986, on 500 foot
22 spacing, is that correct?

23 A. That is correct.

24

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1 Q. So there isn't any...because of that fact,
2 there isn't any overlap of the circles?

3 A. That's correct.

4 Q. And not any overlap of royalty payment?

5 A. Correct.

6 Q. And Equitable was notified. In fact,
7 they're here today, and they have not filed any objection to
8 this hearing, is that correct?

9 A. Not to my knowledge.

10 Q. Now, could you explain for the Board, in
11 conjunction with the plat, why we're having to seek this
12 location exception?

13 A. Originally this location was spotted about
14 500 feet to the north of where it is currently reflected on
15 the plat. At the time that we began our discussions with
16 some of the various parties that were interested, the company
17 called Cumberland River Coal objected to the location that we
18 were attempting to put down. It was in a ventilation area of
19 their active mine works. They requested we move the location
20 400 to 500 feet to the south of where we had originally
21 discussed with them. And the site that you're seeing today
22 is that location that we were able to sight based on
23 topography and to fit into their...well, to put within the

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1 sealed mine area to get away from their active mine works.

2 This is the location that we arrived at.

3 Q. Okay. So it was arrived at in conjunction
4 with the coal lessee and the coal operator, Cumberland River
5 Coal Company?

6 A. That is correct.

7 Q. Basically a safety issue?

8 A. That is correct.

9 Q. And again, in the event this location
10 exception were not granted, would you project the estimated
11 loss of reserves resulting in waste?

12 A. We anticipate these wells to have 400
13 million cubic feet per well.

14 Q. And the total depth of the proposed well
15 under the plan of development?

16 A. It's expected to be 5,625 feet.

17 Q. And is the applicant requesting that this
18 location exception cover conventional gas reserves to include
19 designated formations from the surface to the total depth
20 drilled?

21 A. Yes.

22 Q. And the permit has been applied for on this
23 well, is that correct?

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1 A. Yes.

2 Q. And in your opinion, would the granting of
3 this location exception be in the best interest of preventing
4 waste, protecting correlative rights, and maximizing the
5 recovery of the gas reserves underlining the unit for 825247?

6 A. Yes.

7 JIM KISER: Nothing further of this witness at this
8 time, Mr. Chairman.

9 BENNY WAMPLER: Questions from members of the
10 Board?

11 (No audible response.)

12 BENNY WAMPLER: Do you have anything further?

13 JIM KISER: We'd ask that the application be
14 approved as submitted with the new plat attached to any
15 order.

16 BENNY WAMPLER: Is there a motion?

17 DONALD RATLIFF: So moved, Mr. Chairman.

18 BENNY WAMPLER: Motion to approve.

19 JIM McINTYRE: Second.

20 BENNY WAMPLER: Second. Any further discussion?

21 (No audible response.)

22 BENNY WAMPLER: All in favor, signify by saying
23 yes.
24

1 (All members signify by saying yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval.

5 The next item on the agenda is a petition from
6 Equitable Production Company for well location exception for
7 proposed well V-536033. This is docket number VGOB-04-0316-
8 1267. We'd ask the parties that wish to address the Board in
9 this matter to come forward at this time.

10 JIM KISER: Mr. Chairman and members of the Board,
11 Jim Kiser on behalf of Equitable Production Company. Our
12 witness in this matter will be Mr. Don Hall. We'd ask that
13 he be sworn at this time.

14 (Witness is duly sworn.)

15 BENNY WAMPLER: The record will show there are no
16 others. You may proceed.

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DON HALL

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Mr. Hall, if you'd state your name for the record, who you're employed by and in what capacity?

A. My name is Don Hall. I'm employed by Equitable Production Company as district landman.

Q. And do your responsibilities include the land involved here and the surrounding area?

A. Yes.

Q. And are you familiar with the application we filed seeking a location exception for V-536033?

A. Yes, sir.

Q. Have all interested parties been notified as required by Section 4(b) of the Virginia Gas and Oil Board regulations?

A. Yes.

Q. Now would you indicate to the Board the ownership of the oil and gas underlying that unit for this well?

A. Pine Mountain Oil and Gas Company owns 9%

1 and ACIN LLC owns 91%.

2 Q. And does Equitable have the right to operate
3 the reciprocal well, that being just one V-535454?

4 A. Yes.

5 Q. Are there any correlative rights issues?

6 A. No.

7 Q. Mr. Hall, in conjunction with the plat, can
8 you explain for the Board why we're seeking a location
9 exception of 216 feet?

10 A. Yes. 536033 is on ACIN surface and it's on
11 an active permit area which they have reclamation operations
12 going on now, which will eventually be...the plan, I think,
13 eventually is to turn it into an industrial site; and the
14 chose this site to stay out of their way as far as the mining
15 and their future plans are concerned.

16 Q. Okay. In the event this location exception
17 were not granted, would you project the estimated loss of
18 reserves resulting in waste?

19 A. 400 million cubic feet.

20 Q. And what is the total depth of this well
21 under the plan of development?

22 A. 6175 feet.

23 Q. And a permit has been applied for?

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1 A. I think it should be applied for today, or
2 yesterday or today.

3 Q. And are you requesting the location
4 exception cover conventional gas reserves to include the
5 designated formations from the surface to the total depth
6 drilled?

7 A. Yes.

8 Q. In your opinion, would the granting of this
9 location exception be in the best interest of preventing
10 waste, protecting correlative rights, and maximizing the
11 recovery of the reserves underlining the unit for V-536033?

12 A. It would.

13 JIM KISER: Nothing further of this witness at this
14 time, Mr. Chairman.

15 BENNY WAMPLER: Questions from members of the
16 Board?

17 MASON BRENT: I just have one question, if I may.
18 Do you have in your application the estimated loss of
19 production. It's not---.

20 JIM KISER: No. We enter that into the record
21 through testimony. I think he testified it would be---.

22 A. 400 million cubic feet.

23 MASON BRENT: I heard him say that. I just didn't
24

1 see it in the application.

2 BENNY WAMPLER: Other questions?

3 (No audible response.)

4 BENNY WAMPLER: Do you have anything further?

5 JIM KISER: We'd ask that the application be
6 approved as submitted, Mr. Chairman.

7 BENNY WAMPLER: Is there a motion?

8 JIM MCINTYRE: So moved.

9 BENNY WAMPLER: Motion to approve.

10 MASON BRENT: Second.

11 BENNY WAMPLER: Second. Any further discussion?
12 (No audible response.)

13 BENNY WAMPLER: All in favor, signify by saying
14 yes.

15 (All members signify by saying yes.)

16 BENNY WAMPLER: Opposed, say no.

17 DONALD RATLIFF: I'll abstain, Mr. Chairman.

18 BENNY WAMPLER: One exception. The next item on
19 the agenda is a petition from Equitable Production Company
20 for well location exception for proposed well V-550329,
21 docket number VGOB-04-0316-1268. We'd ask the parties that
22 wish to address the Board in this matter to come forward at
23 this time.

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1 JIM KISER: Again, Mr. Chairman and Board members,
2 Jim Kiser on behalf of Equitable Production. Mr. Hall will
3 be our witness; and we have Mr. Loyall Counts. We'll remind
4 Mr. Hall that he's sworn and go ahead with his testimony now.

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DON HALL

10 having been duly sworn, was examined and testified as
11 follows:

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DIRECT EXAMINATION

13 QUESTIONS BY MR. KISER:

14 Q. Mr. Hall, again, who you're employed by and
15 in what capacity?

16 A. I'm employed by Equitable Production Company
17 as district landman.

18 Q. And do your responsibilities include the
19 land involved here and the surrounding area?

20 A. They do.

21 Q. And are you familiar with the application
22 that we filed for a location exception for 502720?

23 A. Yes.

24

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1 Q. And have all interested parties been
2 notified as required by Section 4(b) of the Virginia Gas and
3 Oil Board regulations?

4 A. They have.

5 Q. Did we also publish as to this well and the
6 location exception because of the fact we have some unknown
7 interests?

8 A. Yes, sir.

9 Q. And would you indicate for the Board the
10 ownership of the oil and gas underlying V-550329?

11 A. Pine Mountain Oil and Gas Company owns
12 65.59%; Mr. Counts owns 15.09%; and I. B. McReynolds heirs
13 own 19.22%.

14 Q. And we're seeking an exception from just one
15 well here, P-160, and it's about 25 feet we're seeking an
16 exception from here, and Equitable has the right to operate
17 the reciprocal well, is that right?

18 A. That's right.

19 Q. So there aren't any correlative rights
20 issues?

21 A. No.

22 Q. Could you explain for the Board in
23 conjunction with the plat why we're seeking this exception?

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1 A. Again, the coal company chose this site. We
2 put it in a block of coal in the McClure One mine. We
3 initially had this location at a legal location and they did
4 not approve it where it was and requested that we move it to
5 this site so it would penetrate a block of coal.

6 Q. Okay. And we are going to be force pooling
7 the unknown interest right after this hearing?

8 A. Yes, sir.

9 Q. And in the event this location exception
10 were not granted, would you project the estimated loss of
11 reserves resulting in waste?

12 A. 300 million cubic feet.

13 Q. And the total depth of this well under the
14 plan of development?

15 A. 6377 feet.

16 Q. And are we requesting this location
17 exception cover the conventional gas reserves to include the
18 designated formations from the surface to the total depth
19 drilled?

20 A. Yes.

21 Q. In your opinion, would the granting of this
22 location exception be in the best interest of preventing
23 waste, protecting correlative rights, and maximizing the
24

1 recovery of the gas reserves underlining the unit for V-
2 550329?

3 A. It would.

4 JIM KISER: Nothing further of this witness at this
5 time, Mr. Chairman.

6 BENNY WAMPLER: Questions from members of the
7 Board? Mr. Hall, just go over the percentages again. I know
8 you said...let me just let you go over the percentages.

9 A. We have Pine Mountain Oil and Gas owns
10 65.69% of the unit; Mr. Counts owns 15.09% of the unit; and
11 the I. B. McReynolds heirs own 19.22% of the unit.

12 BENNY WAMPLER: Okay.

13 JIM KISER: I think it will also help you if we
14 refer you to Exhibit B of the force pooling. I may not have
15 added those up right, but I think I did.

16 BENNY WAMPLER: Any other questions of this witness
17 from members of the Board?

18 (No audible response.)

19 BENNY WAMPLER: Call your next witness.

20 JIM KISER: Well, I think Mr. Counts...he may want
21 to address the Board at the force pooling hearing rather than
22 this one, but it's probably more germane to your issues, but
23 however you want to do it.

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1 LOYALL COUNTS: My---.

2 BENNY WAMPLER: Let me just get you to state your
3 name for the record.

4 LOYALL COUNTS: Excuse me. My name is Loyall
5 Counts. I'm president of C&R Associates, Incorporated, a
6 family owned company, privately held. And we are claimant to
7 the I. B. McReynolds known heirs and we would like to enter
8 into the record for the Board a letter stating our position
9 on the known heirs. He's pooling this, I believe, under the
10 unknown heirs; however, it might be noted that we're not in
11 opposition to pooling it, and that's about all the statement
12 I have.

13 BENNY WAMPLER: Here we're just dealing with the
14 location exception at this point in time. Do you have any
15 objection?

16 LOYALL COUNTS: I have no objections to that.

17 BENNY WAMPLER: Okay, thank you. Do you have
18 anything further, Mr. Kiser?

19 JIM KISER: No, sir. We'd ask that the application
20 be approved as submitted.

21 BENNY WAMPLER: Is there a motion?

22 JIM McINTYRE: So moved.

23 BENNY WAMPLER: Motion to approve.

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1 BILL HARRIS: Second.

2 BENNY WAMPLER: Any further discussion?

3 (No audible response.)

4 BENNY WAMPLER: All in favor, signify by saying

5 yes.

6 (All members signify by saying yes.)

7 BENNY WAMPLER: Opposed, say no.

8 (No audible response.)

9 BENNY WAMPLER: You have approval. Now we're

10 getting to the pooling issue here. The next item on the

11 agenda is a petition from Equitable Production Company for

12 creation and pooling of conventional unit VV...I'm sorry, V-

13 550329, docket number VGOB-04-0316-1269. We'd ask the

14 parties that wish to address the Board in this matter to come

15 forward at this time.

16 JIM KISER: Again, Mr. Chairman, Jim Kiser for

17 Equitable Production Company. Again, our witness is Mr.

18 Hall.

19 BENNY WAMPLER: If you'd just state your name, Mr.

20 Counts, for the record.

21 LOYALL COUNTS: My name is Loyall Counts from C & R

22 Associates, Incorporated.

23 BENNY WAMPLER: Thank you.

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DON HALL

2 having been duly sworn, was examined and testified as
3 follows:

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DIRECT EXAMINATION

5 QUESTIONS BY MR. KISER:

6 Q. Mr. Hall, you're employed by Equitable as
7 senior landman and your responsibilities include the land
8 involved here and the surrounding area?

9 A. Yes.

10 Q. And are you familiar with our application
11 seeking establishment of a unit and pooling any unleased
12 interests for EPC well V-550329, which is dated February 13,
13 2004?

14 A. Yes.

15 Q. Are we seeking to force pool the drilling
16 rights underlying the unit as depicted in Exhibit A, that
17 being the plat to the application?

18 A. Yes.

19 Q. Does Equitable own drilling rights in the
20 unit involved here?

21 A. We do.

22 Q. Prior to filing the application, were
23 efforts made to contact each of the known respondents and an
24

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1 attempt made to work out an agreement?

2 A. Yes.

3 Q. And what percentage of the unit is under
4 lease to Equitable at this time?

5 A. 80.7...80.78%.

6 Q. And are all the unleased parties set out in
7 Exhibit B-3 to the application?

8 A. Yes.

9 Q. Are you familiar with the ownership of
10 parties other than Equitable underlying the unit?

11 A. Yes.

12 Q. And what percentage remains unleased?

13 A. 19.22%.

14 Q. Now, were reasonable and diligent efforts
15 made and sources checked to locate unknown heirs?

16 A. Yes, sir.

17 Q. In your professional opinion, was due
18 diligence exercised to locate each of the respondents named
19 in the various exhibits to the application?

20 A. Yes.

21 Q. Are the addresses set out in Exhibit B to
22 the application the last known addresses for the respondents?

23 A. Yes.

24

1 Q. Are you requesting the Board to force pool
2 all the unleased interests listed in Exhibit B-3?

3 A. We are.

4 Q. Are you familiar with the fair market value
5 of drilling rights in this unit and the surrounding area?

6 A. Yes.

7 Q. And could you advise the Board as to what
8 those are?

9 A. A five dollar bonus, five year term, with a
10 one-eighth royalty.

11 Q. In your opinion, do the terms you just
12 testified to represent the fair market value of and fair and
13 reasonable compensation to be paid for drilling rights within
14 this unit?

15 A. They do.

16 Q. Now, as to the unknown interests, should we
17 be able to identify those people in our work in the future
18 with Mr. Counts, do you recommend that they be allowed the
19 following options with respect to their ownership interest
20 within the unit if they do not sign a voluntary lease which
21 we'll try to get first? That being: One, participation; two,
22 a cash bonus of five dollars per net mineral acre, plus a
23 one-eighth of eight-eighths royalty; or three, in lieu of

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1 that cash bonus and a one-eighth of eight-eighths royalty, a
2 share in the operation of the well on a carried basis as a
3 carried operator under the following conditions: Such
4 carried operator shall be entitled to the share of production
5 from the tracts pooled accruing to his interest exclusive of
6 any royalty or overriding royalty reserved in any leases,
7 assignments thereof, or agreements relating thereto of such
8 tracts but only after the proceeds applicable to his share
9 equal 300% of the share of such cost applicable to the
10 interest of a carried operator of a leased tract or portion
11 thereof; or 200% of the share of an unleased tract or portion
12 thereof?

13 A. Yes.

14 Q. Do you recommend the order provide that any
15 elections by respondents be in writing and sent to the
16 applicant at Equitable Production Company, 1710 Pennsylvania
17 Avenue, Charleston, West Virginia 25328, attention Melanie
18 Freeman, Regulatory?

19 A. Yes.

20 Q. And should this be the address for all
21 communications with the applicant concerning any force
22 pooling order?

23 A. It should.

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1 Q. Do you recommend the order provide that if
2 no written election is properly made by a respondent, such
3 respondent should be deemed to have elected the cash royalty
4 option in lieu of participation?

5 A. Yes.

6 Q. Should the unleased respondents be given 30
7 days from the date that the Board order is executed to file
8 their written elections?

9 A. Yes.

10 Q. If an unleased respondent elects to
11 participate, should they then be given 45 days to pay for
12 their proportionate share of well costs?

13 A. Yes.

14 Q. Does you expect that party electing to
15 participate to pay in advance their party's share of
16 completed well costs?

17 A. We do.

18 Q. Should the applicant be allowed 120 days
19 following the recordation date of the Board order, and
20 thereafter annually on that date until production is achieved
21 to pay or tender any cash bonus or delay rentals becoming due
22 under the force pooling order?

23 A. Yes.

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1 Q. Do you recommend that the order provide that
2 if the respondent elects to participate but fails to pay
3 their proportionate share of well costs satisfactory to that
4 ...to the applicant for payment of those costs, then their
5 election to participate be treated as having been withdrawn
6 and void, and that respondent be treated as though no initial
7 election had been made, in other words, deemed to have
8 leased?

9 A. Yes.

10 Q. Do you recommend the order provide that
11 where a respondent elects to participate but defaults in
12 regard to the payment of well costs, any cash sum becoming
13 payable to that respondent be paid within 60 days after the
14 last date on which such respondent could have made payment of
15 those costs?

16 A. Yes.

17 Q. Okay. In this case, we do have some unknown
18 interests in tract four, so the Board does need to create an
19 escrow account into which any proceeds attributed to that
20 interest can be paid, is that correct?

21 A. That's correct.

22 Q. And who should be named operator under any
23 force pooling order?

24

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1 A. Equitable Production Company.

2 Q. And what is the total depth of the well
3 under the plan of development?

4 A. 6377 feet.

5 Q. And the estimated reserves for the unit?

6 A. 300,000,000 cubic feet.

7 Q. Are you familiar with the well costs under
8 the plan of development?

9 A. Yes.

10 Q. Has an AFE been reviewed, signed and
11 submitted to the Board as Exhibit C to the application?

12 A. It has.

13 Q. Was it prepared by an engineering department
14 knowledgeable in the preparation of AFEs and knowledgeable in
15 regard to well costs in this area?

16 A. Yes.

17 Q. In your professional opinion, does it
18 represent a reasonable estimate of the well costs?

19 A. It does.

20 Q. Could you state for the Board at this time
21 both the dry hole costs and the completed well costs?

22 A. The dry hole cost is \$224,131, and the
23 completed well cost is \$377,836.

24

1 Q. Do these costs anticipate a multiple
2 completion?

3 A. They do.

4 Q. Does your AFE include a reasonable charge
5 for supervision?

6 A. Yes.

7 Q. In your professional opinion, would the
8 granting of this application be in the best interest of
9 conservation, the prevention of waste and the protection of
10 correlative rights?

11 A. Yes.

12 JIM KISER: Nothing further of this witness at this
13 time, Mr. Chairman.

14 BENNY WAMPLER: Questions from members of the
15 Board?

16 MASON BRENT: I just have a formatting question,
17 comment actually. In your Exhibit B-3, its entitled Listing
18 of Unleased Owners, Claimants Subject to Force Pooling. Then
19 on Exhibit E, it's the same title. You may want to clarify
20 that because E is---.

21 JIM KISER: That should say Subject to Escrow.

22 MASON BRENT: Okay.

23 JIM KISER: Thank you.

24

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1 MASON BRENT: Sure.

2 A. I'll have to point that out to the party

3 that---.

4 BENNY WAMPLER: Other questions from members of the

5 Board?

6 (No audible response.)

7 BENNY WAMPLER: Do you have any questions of this

8 witness, Mr. Counts?

9 LOYALL COUNTS: Not being familiar, I'm a layman

10 with most of the process here...not being with that, did I

11 understand that the unknown interest would have a

12 proportional share of the cost if they elect to do so? Did I

13 understand that?

14 MR. KISER: If we could identify them and then they

15 would elect to participate, then they would...if they did

16 elect to participate directly...you can participate two ways,

17 directly or indirectly. If they decide to participate

18 directly, then they would have to pay, let's say they have

19 five percent of the unit, then they would pay five percent of

20 the---.

21 LOYALL COUNTS: I have considered making an

22 election myself, being a co-owner in the well, but I don't

23 have the figures that it would be based on my proportion of

24

1 the well...ownership of my lease, my personal lease. The
2 property is located...I own the surface on both parts of
3 these and I haven't done the arithmetic. Is that available?

4 JIM KISER: Not on this particular well. It
5 wouldn't be because you're leased. It's an election only
6 available to force pooled parties.

7 LOYALL COUNTS: Okay. That's a point I wanted to
8 make.

9 BENNY WAMPLER: Any other questions? Did you have
10 a statement then you wanted to make to the Board regarding
11 this?

12 LOYALL COUNTS: Well, yes. I have a letter here
13 that I would like to present to the Board as a matter of
14 record, and I think it states fairly well. If you want me
15 to, I'll read it to you---.

16 BENNY WAMPLER: That's all right.

17 LOYALL COUNTS: ---as part of the record. And
18 first of all, we have no opposition to what Equitable is
19 proposing to do here. That is not the reason we are here.
20 We are here strictly to read into the record because there is
21 an impasse between our thinking and their thinking on how to
22 handle the proceeds that might come. Of course, I have
23 signed a lease on three, which is no problem with that. But

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1 I'm also president of the family company that we founded. So
2 I'm going to read the letter addressed to the Department of
3 Mines & Minerals, Division of Gas & Oil. It's "Re: C & R
4 Associates Known/Unknown Heirs Recognition for VGOB-04-0316-
5 1269, V-550329." I said, "Dear Directors and Board Members:
6 C & R Associates, Incorporated, a Virginia corporation, is
7 composed of stockholders holding shares of common stock in
8 the company and known heirs of I. B. McReynolds, deceased,
9 and Intestate. The investment they made in exchange for
10 stock paid for geological research, land title abstract,
11 professional surveying and engineering on a portion of a
12 598..92 tract of land in Dickenson County, Virginia, located
13 at Deed Book 3, Page 89, in the Circuit Court Clerk's Office
14 in Clintwood, Virginia. A further description of the Known
15 Heirs of I. B McReynolds is located at Dickenson County Deed
16 Book 387 at Page 050.

17 C & R Associates has presented Equitable Production
18 by certified mail a letter dated 12/23/2003 that describes
19 percentages of ownership of known heirs, stockholders with
20 Affidavit or relationship to Mr. McReynolds. A ownership
21 percentage was suggested to be held in escrow for any unknown
22 heir who may someday come forward. Equitable has
23 acknowledged our existing in permitting and pooling process
24

1 for wells permitted and pooled within our claim variate and
2 the heirs are listed as unknown in those documents.

3 Equitable has insisted on the names and addresses
4 of heirs/stockholders within our company. This puts C & R
5 Associates, Incorporation in violation of Federal, State and
6 Company Stock ownership privacy laws. C & R Associates,
7 Incorporated has offered to hold Equitable Production Company
8 harmless from claims from any heir or stockholder of record
9 in our company and comply with any Court Order if needed for
10 their legal protection.

11 C & R Associates was incorporated to simplify and
12 streamline the process of our working claim. If C & R
13 Associates Management is forced to relinquish control of the
14 company's shareholder list to recover the claim, it will
15 nullify and make void the entire Virginia State Incorporation
16 process. C & R Associates has recorded and made public all
17 records necessary to meet the criteria set forth by the State
18 for our claim.

19 By this letter we are asking the Virginia Gas and
20 Oil Board to enter into the record this letter to
21 substantiate our claim and request that an escrow account be
22 placed in an independent interest bearing account with the
23 banking institution not doing business with Equitable."

24

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1 BENNY WAMPLER: Do you have that? Give that to Mr.
2 Wilson. Thank you very much. Do you have anything to add?

3 LOYALL COUNTS: I have no further.

4 BENNY WAMPLER: Okay. Any questions from members
5 of the Board?

6 JIM KISER: And we did meet with Mr. Counts before
7 the hearing today and we're...he's going to come into my
8 office tomorrow and we're going to continue to work on this.
9 My firm has done some title work on some other I. B.
10 McReynolds' tracts and we haven't been able to come up with
11 these heirs. I think he does have some information that
12 could be helpful to us. We'd like to have them too,
13 obviously, you know. If it's not of record, then we need
14 some help from elsewhere. But he needs to get with his
15 Counsel and make sure that he's not...by revealing these
16 heirs to us and getting the proper muniments of title done
17 and Affidavit of Heirship and Power of Attorney to him from
18 these heirs so that we can disburse. He needs to make sure
19 that he's not violating any laws, as he stated, that have to
20 do with his corporation. So, that's kind of where we are on
21 this and hopefully we can get it worked out and then take
22 care of it through the Supplemental Order process.

23 LOYALL COUNTS: From C & R's standpoint, we will
24

1 continue to work with Equitable. We have no...no axes to
2 grind or anything like that. They've been very helpful to me
3 and we want to continue and we appreciate their recognition
4 of us in that capacity. We understand the situation. But we
5 have...technically, we have an issue on both sides here that
6 we have to resolve.

7 BENNY WAMPLER: Well, we certainly hope you're able
8 to do that.

9 LOYALL COUNTS: Thank you.

10 BENNY WAMPLER: Let me ask you, are you represented
11 by Counsel?

12 LOYALL COUNTS: I...since...excuse me, since...
13 since the inception of this...there's a long story behind
14 this. It goes back to the early or the late '80s to the
15 early '90s. I've had several counsel members, at least four
16 on this. I've had land abstracts done by counsel. I've had
17 a professional engineering staff surveyed. By the way, my
18 background is in engineering. So, I have that taken care of.
19 I am an amateur geologist, family. So, I've had, let's see,
20 a total of four members of counsel on my staff. I presently
21 don't have anyone retained.

22 BENNY WAMPLER: Okay.

23 LOYALL COUNTS: But they are available for anything
24

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1 that you might want, name names and phone numbers.

2 BILL HARRIS: Mr. Chairman, could I---?

3 BENNY WAMPLER: Mr. Harris.

4 BILL HARRIS: ---I...I just have, I guess, just a
5 curious question? I'm not sure if it applies directly to the
6 issue here. Now, what...I'm not sure if I'm clear on what
7 has happened with this property. Are you all...the heirs
8 have gotten together and formed a company to---?

9 LOYALL COUNTS: Yes. Let me go back just a little
10 bit further if you want it in more specific detail.

11 BILL HARRIS: If that's...that's okay.

12 LOYALL COUNTS: A number of years ago...I was
13 reared on this property. The original property owners died.
14 It's a rather large tract. There was coal deeds severed.
15 There was land tracts severed. Quite frankly, the
16 engineering...the geometry of the tract was terrible, okay.
17 So, we tried to get back together. I have talked to coal
18 company owners. I've talked to the gas people here. I've
19 talked to several individuals involved and...to try to get it
20 resolved.

21 So, the family, thinking that it was best to do it
22 professionally and since I had a background in engineering, I
23 was chosen the one to carry that staff forward. At that

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1 point in time, these heirs that I have that are called the
2 Known Heirs, they are all over the United States. So, it was
3 a convenience thing, since I'm here local, that I should take
4 care of this and knowing more about that area of the land. I
5 own the surface on two of these tracts here. I'm an heir in
6 a third part that they're going to do some title work on.
7 So, the issues are far ranging, if you wish.

8 So, we have an understanding now where we are, and
9 quite frankly, the geometry within the titles, and basically
10 what happened in my opinion, if you have a cake or you have
11 this and you want to cut it up and divide it, you have to
12 have the cake first. Somewhere along the line there have
13 been...I have trouble keeping up with the number of companies
14 involved on this thing. So, somewhere along the line, they
15 took the inner deeds and tried to put it together from the
16 inside out. It just doesn't work that way. So, therefore,
17 the issues of that. It's not a...and like I said, there has
18 been multiple owners of the coal. There has been multiple
19 owners all the way down the line. It's just the culture
20 today to change hands.

21 BILL HARRIS: Yeah. So, this is a company that has
22 formed by the...by all the family members?

23 LOYALL COUNTS: Yes, and we get that, and you

24

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1 deserve an answer on that.

2 BILL HARRIS: Yeah. I mean, I'm just...I mean, I'm
3 just curious about that.

4 LOYALL COUNTS: Normally, you do something like
5 that under a Power of Attorney---.

6 BILL HARRIS: Uh-huh. Yeah.

7 LOYALL COUNTS: ---but there's some tax issues that
8 are...and recovery costs for time spent that are at stake
9 here. So, we were advised by our counsel to do this.

10 BILL HARRIS: Well, that's interesting. Thank you.
11 I just...I was just curious---.

12 LOYALL COUNTS: It is an interesting concept.

13 BILL HARRIS: Yeah, thank you.

14 SHARON PIGEON: Mr. Counts, just to further
15 elaborate there, you have a group of these heirs that are
16 known, but there is a separate group still that is unknown,
17 is that correct?

18 LOYALL COUNTS: Ma'am, I'm putting it this way, I
19 have contacted all the known ones that I know. I'm sixty-two
20 (62) year old. I don't...if there's anyone here, it's below
21 me. It's younger than I. All of those from me up, they're
22 gone. That's what the issue is here. These gentlemen have a
23 legal...a legal point in that unknown thing. But what I'm
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1 concerned about is "Hey, I'm here. I'm an heir, but I'm
2 still unknown." That's the problem, I've got. So, that's
3 basically the issue. They're saying, well, they are used to
4 dealing with the conventional concept of having to deal
5 directly with people, their addresses, cutting them a check
6 and send on. That is not the issue here.

7 Once you're an incorporated entity, we have company
8 taxes to take care of. We have liabilities that are not
9 noted in the individual thing. And that's what...from my
10 standpoint, what has been the issue is I don't mind giving
11 them the names and the addresses, but that's...at that point
12 I lost control. That's...that's where the deal is.

13 They have...we pooled our money, basically is what
14 it amounted to, to pay for all of these entities with the
15 idea, and I'm under contract. I'm under contract with these
16 heirs to take care of this business. So, there are
17 individual contracts. I have filed all the legal papers that
18 I think are necessary to become known. These are a matter of
19 record in the Courthouse. They have been for some time. So,
20 we've given them an Affidavit on where we come in under the
21 Virginia Statutes of Descent and Distribution. But it's
22 strictly my name and that's what they have an issue with.
23 So---.

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1 BILL HARRIS: This is like an all for one and one
2 for all sort of.

3 LOYALL COUNTS: Yeah. And---.

4 BENNY WAMPLER: So, if checks are written, the
5 checks are written to the---?

6 LOYALL COUNTS: I can hand out...here is another
7 point, I'm not asking them for Pine Mountain's list of...list
8 of heirs in this case. I'm not asking for a stockholder's
9 list from Equitable Production Company. I think it is a
10 little bit benign for them to ask me for my stockholders'
11 list simply because it's not prudent to do that. There's a
12 legal precedent on my part and there's also a legal precedent
13 on their part. So, that's what we've got to work out between
14 us. We understand each other's position, I think.

15 SHARON PIGEON: But there are potentially unknown
16 heirs that are not part of---?

17 LOYALL COUNTS: Yes, ma'am, I can't say there's
18 not. I don't know them. But I don't---.

19 SHARON PIGEON: But that would affect the
20 percentage of the heirs?

21 LOYALL COUNTS: Yes, it would. I've suggested a
22 percentage of 75% to 25%.

23 SHARON PIGEON: Well, have they suggested...have
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1 these unknown heirs suggested a percentage?

2 LOYALL COUNTS: Well, I don't know.

3 JIM KISER: We need to make it clear, and I know

4 Mr. Counts don't have any objection to this, we have not been

5 provided with any names or addresses of any of these other

6 stockholders at C & R Associates---.

7 LOYALL COUNTS: That is correct.

8 JIM KISER: ---who potentially are heirs.

9 BENNY WAMPLER: But you have done your own title

10 search and you've---?

11 JIM KISER: We've done...yeah, we've done a lot of

12 title on the I. B. McReynolds' tracts.

13 BENNY WAMPLER: So, if you looked at his list,

14 you'd pretty well know whether you have unknowns then or---?

15 JIM KISER: Well---.

16 BENNY WAMPLER: ---people outside the---?

17 JIM KISER: It would give us a basis from which to

18 construct some curative work, an Affidavit of Descent or an

19 Affidavit of Heirship because, I mean, none of this is of

20 record.

21 BENNY WAMPLER: Okay. All right.

22 JIM KISER: Then from there we could start, you

23 know, identifying who...if his counsel would allow him under

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1 however his corporation is set up to reveal this information,
2 then at that point, we could get...we'd have an Affidavit of
3 Descent with hopefully everybody. All the...you know, the
4 folks from his generation that had an interest and then the
5 heirs of the people before him who have passed away and who
6 their heirs were and we could construct the best
7 representation of what the total ownership is and then the
8 known heirs could...they can still do it under this C & R
9 Associates. We just have to identify them and then they're
10 going to have to sign off and give him Power of Attorney for
11 us to...for him to represent them and for us to pay the
12 company. Then the unknown heirs would go into escrow.
13 That's what we've suggested.

14 LOYALL COUNTS: But the percentages still remaining
15 even with that---.

16 JIM KISER: Well, the percentages, yeah, whatever
17 they are.

18 LOYALL COUNTS: ---because the unknown will never
19 be known.

20 BENNY WAMPLER: Any other questions or comments?

21 (No audible response.)

22 BENNY WAMPLER: Do you have anything further?

23 JIM KISER: We'd ask that the application be
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1 approved as submitted, Mr. Chairman.

2 DON HALL: So moved, Mr. Chairman.

3 BENNY WAMPLER: Motion. Is there a second?

4 JIM MCINTYRE: Second.

5 BENNY WAMPLER: Motion and second. Any further
6 discussion?

7 (No audible response.)

8 BENNY WAMPLER: All in favor, signify by saying
9 yes.

10 (All members signify by saying yes.)

11 BENNY WAMPLER: Opposed, say no.

12 (No audible response.)

13 BENNY WAMPLER: You have approval. The next item
14 on the agenda is a petition from Equitable Production Company
15 for a well location exception for proposed well V-503809,
16 docket number VGOB-04-0316-1270. We'd ask the parties that
17 wish to address the Board in this matter to come forward at
18 this time.

19 JIM KISER: Mr. Chairman, at this time we would ask
20 that both items number eleven and item number twelve, which
21 is 04-0316-1271, which are...both involve the same well,
22 again, just like the well that we just did. We need a
23 location exception and a force pooling, be continued until
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1 the April the 20th hearing. We have fifty-three or fifty-
2 four tracts in this unit. We discovered just about three or
3 four days ago that the ownership of one of them has changed
4 since we did our title work. So, we've got, I guess, at
5 least one more person to notify.

6 BENNY WAMPLER: All right. Those are continued. I
7 believe that concludes the agenda today. Mr. Wilson, do you
8 have anything further?

9 BOB WILSON: I do. One item, at last month's
10 hearing the Board authorized me to make contact with Wachovia
11 Bank to discuss the extension of the existing contract for
12 escrow. I have made that comment...contact rather.

13 They have responded that they would be happy to
14 continue to manage the escrow account under the existing
15 terms of our existing contract.

16 Our next step would be to have our General Services
17 Administration folks to prepare a letter, which would include
18 some notices that we wish to include in there as we discussed
19 last week relative to their responsiveness and this sort of
20 thing. We will prepare a document for mutual signatures with
21 Wachovia. So, apparently we will be able to continue that
22 for another five year extension under the existing terms.
23 That was...this was all verbal in email at this point in
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1 time. But it comes from the gentleman in Virginia who
2 handles state and government banking for the institution. He
3 took several days to get this back to us. So, I think we're
4 in business on that.

5 Unless the Board has further instruction, I will go
6 ahead and make the necessary contact and get the necessary
7 paperwork done and we'll have that extended well before the
8 actual ending of the contract, which would be the end of
9 June.

10 BENNY WAMPLER: Questions? Is that okay with the
11 Board?

12 (No audible response.)

13 BENNY WAMPLER: Obviously, since the last meeting
14 we've had the Supreme Court ruling on the Ratliff versus
15 Harrison-Wyatt case. The Supreme Court upheld the lower
16 Court decision. You saw that. The Department has...and I
17 think all of you have a copy of the press release, if you
18 don't, we can get that to you. We put out a press release
19 saying if you come before the Board, here are the things that
20 you need to have when you do. We anticipate I guess next
21 month...are they coming in or do you know?

22 BOB WILSON: The initial impression that I got from
23 talking to the attorney for the prevailing complainants was

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1 they would try to get this on docket for next...for April.
2 The deadline for April filing is next Friday. I have
3 notified them of that deadline and haven't heard anything in
4 response. So, I couldn't say at this particular time if
5 they're going to or not. I know they had intended to have
6 anything balanced and---.

7 BENNY WAMPLER: They plan to if they can, right.

8 BOB WILSON: ---come before us, yes, in April.

9 JIM KISER: And that's just the plaintiffs in that
10 case, it's not somebody new?

11 BENNY WAMPLER: Don't know. Don't know who he may
12 be representing when he comes in, this Mr. Glubiack and, et
13 al.

14 JIM KISER: They'd better have some other Orders.
15 That was good...I think for whatever it's worth that was a
16 good job on what you put out.

17 BENNY WAMPLER: Thank you.

18 JIM KISER: It explained it pretty well.

19 BENNY WAMPLER: Thank you. Any other...any other
20 comments or questions from members of the Board?

21 MASON BRENT: Do you have the minutes?

22 BENNY WAMPLER: We do. Absolutely. Thank you.
23 The minutes from last month's meeting. Is there any
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1 additions or corrections?

2 (No audible response.)

3 DONALD RATLIFF: I move they be approved as

4 presented, Mr. Chairman.

5 BENNY WAMPLER: Motion to approve. Is there a

6 second?

7 BILL HARRIS: Second.

8 BENNY WAMPLER: Any further discussions?

9 (No audible response.)

10 BENNY WAMPLER: All in favor, signify by saying

11 yes.

12 (All members signify by saying yes.)

13 BENNY WAMPLER: Opposed, say no.

14 (No audible response.)

15 BENNY WAMPLER: They are approved. Thank you. I

16 appreciate the reminder of that.

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1 STATE OF VIRGINIA,

2 COUNTY OF BUCHANAN, to-wit:

3 I, Sonya Michelle Brown, Court Reporter and Notary
4 Public for the State of Virginia, do hereby certify that the
5 foregoing hearing was recorded by me on a tape recording
6 machine and later transcribed under my supervision.

7 Given under my hand and seal on this the 8th day of
8 April, 2004.

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10 NOTARY PUBLIC

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12 My commission expires: August 31, 2007.

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